

CITY OF ST. JOHNS, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2008



CITY OF ST. JOHNS, MICHIGAN

Comprehensive Annual Financial Report
Year Ended June 30, 2008

Prepared by:
Treasurer's Office

Gregory T. Teichman
City Treasurer

City of St. Johns

Comprehensive Annual Financial Report
Year Ended June 30, 2008

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City of St. Johns

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INTRODUCTORY SECTION

Dana C. Beaman
Mayor

Heather R. Hanover
Vice Mayor

Mark R. Bates
Commissioner

Bill Jackson
Commissioner

Michael M. Nobach
Commissioner



September 30, 2008

Dennis D. LaForest
City Manager

Cynthia M. Warda
Deputy City Manager

Mindy J. Seavey
City Clerk

Gregory T. Teichman
City Treasurer

John B. Salemi
City Attorney

Daniel J. Vreibel, P.E.
City Engineer

Steven E. Wagner
*Community
Development Director*

The Honorable Mayor and
Members of the City Commission
City of St. Johns
St. Johns, Michigan

The Treasurer's and City Manager's Offices are pleased to submit the comprehensive Annual Financial Report for the City of St. Johns, Michigan for the fiscal year ended June 30, 2008.

This report is published to provide the City Commission, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To assure interested parties have reliable information, a system of internal controls is implemented. These internal controls are designed to detect irregularities in the accounting system. The controls are designed to assure a reasonable level of oversight. While no system of controls can test and examine every financial event, the controls implemented give a high level of confidence that no material misrepresentations are given.

The City of St. Johns charter requires that the City has an annual audit. This audit is performed by contracted independent auditors and their report is included in the following sections.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City of St. Johns' MD&A can be found immediately following the report of the independent auditors.

THE REPORTING ENTITY AND ITS SERVICES

Location

The City of St. Johns is located 18 miles north of downtown Lansing. St. Johns is the county seat for Clinton County, Michigan, and with the completion of highway construction linking US-27 with I-69/96 provides ready access to the interstate systems that make travel to Detroit, Chicago, Cleveland, Indianapolis, and other major metropolitan markets simple and easy. In addition, M-21 and BR US-27, which bisect St. Johns, are routes of quick access to Lansing, Grand Rapids, and Flint. The City encompasses an area of approximately 3.77 square miles, has a population of approximately 7,500, and 39.23 miles of streets.

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(989) 224-8944 Fax (989) 224-2204
E-mail: csj@ci.saint-johns.mi.us

The City is a home rule city operating under the Commission-Manager form of government. The City Commission is comprised of the Mayor and four Commission members, who enact local laws, determine policies and adopt the annual budget. The City Manager is appointed by the City Commission and is responsible for the daily management of the City. The Basic Financial Statements of the City include all government activities, organizations and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board.

Services Provided

The City provides a full range of municipal services including police and fire protection, refuse and recycling collection, water, sanitary sewer, storm sewer, streets, infrastructure development and maintenance, park and recreational facilities, library services and general administrative services. Internal services of the City include the mobile equipment operations. The City is also a member of a local ambulance authority that provides medical services to the City and surrounding townships.

Component Units included in the City's financial report include a Local Development Finance Authority (LDFA) and a Principal Shopping District and DDA. These are legally defined and included in sections of the financial reports as appropriate. The purpose of the LDFA is to promote and expand economic growth within the defined Authority. The Principal Shopping District was formed to enhance and coordinate growth and opportunities within the District. The DDA was formed to allow greater opportunities to improve the central business district through tax capture and grant funding.

The annual budget serves as the foundation for the City of St. Johns' financial planning and control. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been formally adopted. For the general fund, this comparison begins on page as required supplementary information. For other governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented either as required supplementary information (for major funds), starting on page, or other supplementary information (for nonmajor funds), starting on page.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of St. Johns operates.

Local Economy

People have been coming to St. Johns for almost 150 years. In 2006, the City of St. Johns celebrated its 150 year anniversary or its sesquicentennial. Events and celebrations provided exposure to the City. Over the past 150 years, people came to St. Johns to set up businesses ranging from retail shops to automotive parts factories. Others came to be in the seat of county government. Lately, many have come to St. Johns seeking a friendly community and hometown environment that is close to the City of Lansing. St. Johns is poised to accommodate everyone and its cooperative spirit remains the reason both businesses and families choose the community.

Residential housing in a variety of price ranges is abundant in the St. Johns area. Beautiful new single and multi-family dwellings in new City subdivisions ring St. Johns. Stately, historic homes located in the center of the City are a reminder of St. Johns 150 year history with their architecture and tree-lined City streets. Apartments and multi-family units provide area residents with choices for today's varied lifestyles. Additional residential projects are ongoing and have been approved for construction.

State-of-the-art technology is featured in the 7,000 square-foot Briggs Public Library, which serves residents of both the City and surrounding townships. The Briggs Library also brings to the community many new family programs and featured speakers that enhance the quality of life in St. Johns.

The City of St. Johns is home to the only certified industrial park in Clinton County. The industrial park boasts a variety of businesses including an automotive parts manufacturer, two large warehouse distribution centers, an information technology business, and a local credit union. Lots can be customized to fit all needs. The City purchased 13 acres adjacent to the Industrial Park for a regional detention facility which has been completed and exercised an option on the remaining 64 acres for future Industrial Park expansion.

Long-term Financial Planning

A Clinton County Economic Alliance has been formed to promote the region as a great place to live and do business. This is a partnership of government and private sector organizations in Clinton County working to further economic growth in the region. Their goal is to raise \$600,000 to \$700,000 for the Alliance and are well on their way to achieving it.

Recently a local manufacturing plant was bought and brought under new ownership. This manufacturer is in the process of its second expansion that will bring a new process from out of state and will help to diversify its operations here in St. Johns. This will help to secure area employment opportunities. The City continues to work closely with all businesses to provide any assistance possible to enhance their success. The City has expanded staff to include an individual familiar with applying for grants and other government programs. The City, through this person's efforts, has been successful in expanding the City of St. Johns housing rehab program, helped to secure a grant to help pay for a renovation of a building in the downtown business district, and assisted in the writing and award of a grant for the renovation of two of the City's parks.

A \$10.5 million dollar renovation project at Clinton Memorial Hospital completed in 2000 assures the continued provision of convenient, quality, local healthcare services to St. Johns community residents. Its senior citizens are equally well served by the nationally rated Hazel I. Findlay Country Manor, which provides quality care for the area's elderly population. In fact, an \$11 million dollar assisted living center and a 40 unit apartment complex and community center called Clinton Commons were completed in 2000. In 2008, a new assisted living facility, Grace Haven, is opening to give additional options for seniors to be able to stay close to family and friends.

Cash Management Policies and Practices

The City maintains depository accounts with Fifth Third, Citizens Bank, Firstbank of St. Johns and Comerica Bank of Detroit. The City holds a minimum amount of cash in checking accounts to meet operational needs. The remaining idle cash is invested by City officials in certificates of deposit and other investments as allowed by Michigan Compiled Law and the City's investment policy. The average balance of the City's investment portfolio for fiscal year 2008 was approximately \$7,899,899. The overall portfolio provided \$411,109 in investment income.

In compliance with the City's investment policy, the City Treasurer presents a quarterly investment report to the City Commission summarizing the investment activity, investment income earned, and the investments on hand at quarter end. The reports also compare the investment return with budgetary expectations and suggest improvements that might be made in the investment program.

Risk Management

The City participates in a State pool, the Michigan Municipal League, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The City has no liability for additional assessments based on the claims as filed against the pool, nor do they have any right to dividends.

The City also carries commercial insurance for the risk of loss due to workers' compensation claims.

MAJOR INITIATIVES

Street and Sidewalk Program

The City continues to take steps toward a comprehensive street repair program. The City has completed an update to a road condition study and has formulated a long range plan to improve and maintain the current road system. The City, along with a volunteer citizen's committee, spent many hours going over analysis, reports, and other information to help communicate the need of addressing street maintenance and repair. Many ideas were brought up and considered and discussed along with many questions being addressed. The City has prioritized efforts to address the streets that need repair and supplemented State of Michigan funding with general fund revenues in the upcoming fiscal year. The City is continuing to explore financing options and alternatives for the citizens of St. Johns to consider. In 2008, the State of Michigan is completing a project on BR127 that runs through the City. This project corrects a turning radius at a busy intersection that semi-trucks use for turning onto another State highway as well as reconstructing a bridge on the north end of the city. Along with this reconstruction, heavy maintenance is being done on other sections of BR127 that run through the City. The City also has other street reconstruction projects to be completed by the end of 2008. Sections of two major streets in the city were totally reconstructed and the financing of these projects were by using city funds along with grants from the State of Michigan.

The City Commission recently adopted the budget and program details for the upcoming fiscal year. The program divided the City into sections and all sidewalks were evaluated and rated. For 2008, \$20,000 has been dedicated for sidewalk repair in the general community and \$10,000 for sidewalk installation/repair for City owned properties. \$5,000 was reserved to encourage homeowners through a reimbursement program to replace sidewalks that have deteriorated and aged. This program continues to help the City in its efforts to have a safe and connecting network of non-motorized travel throughout. In addition to the expansion of the sidewalk program, the City of St. Johns contracted to have a tree study done of the trees in the City's right-of-way and parks. Trees were identified and catalogued as to species and condition. A maintenance plan has been implemented over the past three fiscal years. Approximately \$175,000 + has been spent on this program.

Central Business District Streetscape

The City of St. Johns sold bonds to reconstruct the streets and sidewalks for our central business district. This project includes new landscaping, lighting, sidewalks, and the updating of the Infrastructure of our downtown. Construction was completed during the spring of 2006.

Parks and Recreation

The City of St. Johns recently received a grant to update two of the City's parks. A grant of \$127,400 will be spent on the two parks to replace and update playground equipment and facilities. This will be completed in the next two years.

Veteran's Memorial Project

This project was spearheaded by a local veteran's group to honor those men and women from Clinton County that have served in the armed forces. This project was coordinated with the central business streetscape because of the location of the memorial. Its location is at the north entrance to downtown and is a great first impression to visitors to the area and a place for residents to gather and reflect.

Economic Development Effort

The industrial park has seen tremendous growth in recent years and the City has implemented a plan of action to continue to develop opportunities to capture future growth. A City of St. Johns website has been developed to advertise the opportunities in St. Johns with a section of the website dedicated to the industrial park. The City has been awarded grant and loan funds to assist with the financing of these projects and construction is complete in the first phase. With the purchase of an additional 64 acres, the City is poised for continuing future growth.

A new warehousing facility was completed in the spring of 2003 on approximately 37 acres in the industrial park. This new 17 million dollar facility has brought additional revenues and employment to our city. The new facility employs over 130 people and has become one of our largest taxpayers. Along with this new facility, a maintenance support business for this new entity has opened and has acquired enough land to facilitate future growth. An existing industrial park manufacturer has added a 25,000 square foot expansion to the existing 54,000 square foot facility in 2007. This expansion added 20 new jobs.

Business/office space continues to be available in St. Johns with new construction and renovations of current space. An old school building was torn down to make way for a multi-use site. An office building has been constructed and has been filled. Transitional residential space was included in the site plan and has been completed.

An educational facility was developed in a vacant retail space. This facility offers college level and enrichment types of programs sponsored by Lansing Community College for the surrounding area. This makes it easier for people to learn new skills to help in their careers or for a job change, or just to learn something new just for fun without having to drive distances.

In 1998, the Downtown Management Board (DMB) was created for the purpose of facilitating programs for an improved growth environment in and near downtown St. Johns (known as the Principal Shopping District). Throughout the fiscal year ended June 2008, the DMB was active in the completion of the streetscape for the downtown area. This project has resulted in a million dollar renovation of the downtown area. A State of Michigan grant was approved to aid in these projects. A DDA was also formed to further the progress the downtown area has made.

In 1998, the City created a Local Development Finance Authority (LDFA). The LDFA was created primarily to promote economic growth in the City. This board continues to advance this goal with the purchase of additional land for future growth of the City's industrial park.

Renovations were completed on the City owned old railroad depot, which is directly across from the Briggs Library. The local arts council utilizes this space for railroad history functions and displays for the community. The arts council has located an antique train rail car and is looking to raise funds to restore it as a train museum. Two additional rail cars have been added to be displayed at the Depot. This greatly enhances the attraction of the depot and exposes the arts council to more people.

A Rail to Trails project is being pursued to connect a trail that runs through the neighboring county to the east and continue the trail through the central business district. There has been a very positive reaction to this idea and plans are being drawn. The rail property has been secured and the project continues forward.

Sanitary Sewer Relining

A bond proposal was passed for a sanitary sewer relining project in the City. In the summer of 2004 saw this project completed. This 2.6 million dollar bond issue has allowed the City to increase the efficiency and effectiveness of our wastewater collection and treatment systems along with other improvements and updating to our wastewater and water systems. A second project that was funded out of this bond issue was improvements to the City's water production system to be in compliance with new arsenic regulations. Wells were refurbished to comply with the new stricter standards and other improvements made. This project totaled approximately \$750,000.

Wastewater Plant Improvements

A bond issue was sold in December 2007 for approximately for \$6,295,000 to finance improvements to the wastewater treatment plant. Expansion of capacity was not needed but updates to equipment and operations to efficiently maintain the system were planned. These improvements should be complete by the summer of 2009.

Sewer Agreement

An agreement with the surrounding township to run their sewers, in the designated area or district, to the City's wastewater treatment plant for processing has been discussed and looks very promising that an agreement will be signed. With tougher economic conditions, intergovernmental cooperation is even more important. This agreement will benefit both parties and allow future growth in the City and surrounding areas.

OTHER INFORMATION

Independent Audit

The City charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the City by independent certified public accountants selected by the City Commission. This requirement has been complied with, and the independent auditor's report has been included in this report.

Awards and Acknowledgments


The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of St. Johns for its comprehensive annual financial report for the fiscal year ended June 30, 2007. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

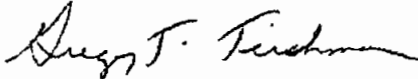
The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Treasurer's Office. We also wish to express our sincere appreciation to City Department Heads throughout the organization, especially those who were instrumental in the successful completion of this report.

We would like to thank the members of the City Commission for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,



Dennis D. LaForest
City Manager



Gregory T. Teichman, CMA
City Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of St. Johns
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Oliver S. Cox

President

Jeffrey R. Egan

Executive Director

City of St. Johns
Comprehensive Annual Financial Report
Year Ended June 30, 2008

LIST OF CITY OFFICIALS

CITY COMMISSION

Dana C. Beaman, Mayor

William G. Jackson

Mark R. Bates

Michael M. Nobach

Heather R. Hanover

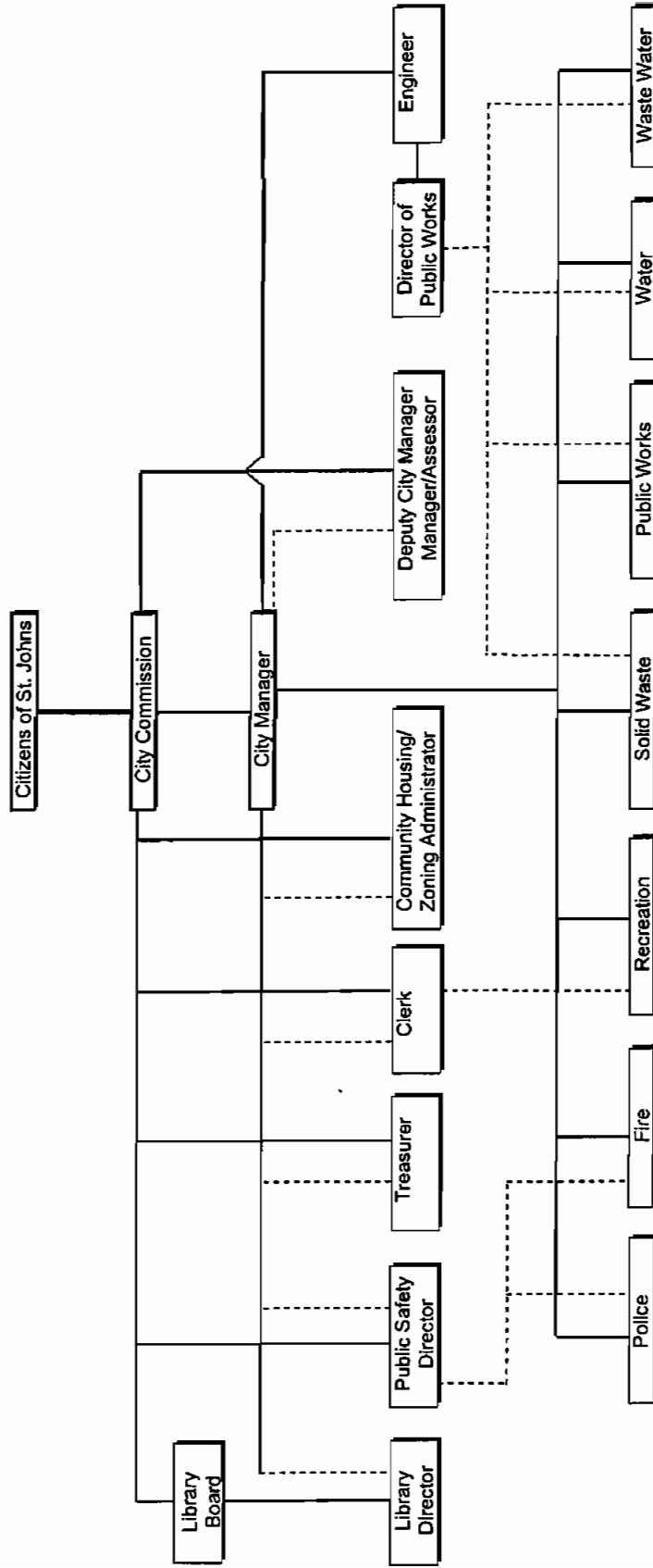
CITY MANAGER
Dennis D. LaForest

CITY TREASURER
Gregory T. Teichman

City of St. Johns

ORGANIZATIONAL CHART

2007-2008



FINANCIAL SECTION

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Commission
City of St. Johns, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of St. Johns, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Johns' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of St. Johns, Michigan as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Johns' basic financial statements. The introductory section and accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Except for the statistical section, other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections are unaudited and we express no opinion on them.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

The following is a discussion and analysis of the City of St. Johns financial performance and position, providing an overview of the activities for the fiscal year ended June 30, 2008. This analysis should be read in conjunction with the *Independent Auditors Report*, beginning on page ix of this report, our letter of transmittal on pages i through v, and with the City of St. Johns' financial statements, which follow this section. This discussion provides comparisons with the previous fiscal year as required by GASB.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets or the amount assets exceeded liabilities, were \$19,291,736 at the close of 2008 (excluding component units). This is an increase of \$440,594 or 2.33% compared to 2007.
- Governmental activities net assets were \$9,038,408 for 2008. This is an increase of \$246,626 or 2.80%.
- Business-type activities net assets were \$10,253,328. This is an increase of \$193,968 or 1.92%.
- Component unit net assets were \$60,715. This is an increase of \$8,973 or 17.34%.
- The government's total net assets increased by \$449,567 over 2007 or a 2.37% increase.

Fund Level:

- At the close of the fiscal year, the City of St. Johns' governmental funds reported a combined ending fund balance of \$4,554,385 with \$147,777 being reserved for specific purposes. This is a decrease of \$16,683 over 2007. This amount reflects a reduction of the Walker Road G.O. fund balance that was used for debt payments and reduction in General Fund prepaid expenses of \$13,753.
- The General Fund's overall fund balance increased by \$86,201 over 2007. This increase is a reflection of budget monitoring throughout the year.

Capital and Long-term Debt Activities:

- The primary government (governmental activities) issued no new debt for the fiscal year.
- The total long-term debt for the primary government (governmental activities) was \$5,713,038 with a net decrease of \$354,909 from the prior year.
- The primary government (business-type activities) issued new debt for the fiscal year for the following items: \$6,295,000 Bonds payable for upgrades to the wastewater plant and equipment.
- The total long-term debt for the primary government (business-type activities) was \$13,919,789 with a net increase of \$5,818,495 from the prior year.
- The City of St. Johns remains well below its authorized legal debt limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the City of St. Johns consists of the following components: 1) *Independent Auditors Report*; 2) *Management' Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and proprietary funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

Government-wide Financial Statements (Reporting the City of St. Johns as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the City of St. Johns as a whole, and about its activities. Their purpose is to assist in answering the question, is the City of St. Johns, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all the City of St. Johns assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the City of St. Johns financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the City of St. Johns net assets changed during fiscal year 2008. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the City of St. Johns basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City of St. Johns general government departments such as police and fire, the City Commission, public works, and recreation programs are reported under these activities. This also includes the activities such as the Major and Local street maintenance, the Library, and Drug Enforcement.
- **Business-type Activities** - These activities operate like private businesses. The City of St. Johns charges fees to recover the cost of the services provided. The City of St. Johns Water & Sewer System services are examples of such activities.
- **Discretely Presented Component Units** - Discretely Presented Component units are legally separate organizations for which the City of St. Johns Commission appoints a majority of the organization's policy board and there is a degree of financial accountability to the City of St. Johns. Organizations included as component units: Principal Shopping District and Local Development Finance Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 8 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the City of St. Johns general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the City of St. Johns Major Funds)

The fund financial statements, which begin on page 3, provide information on the City of St. Johns significant (major) funds, and aggregated nonmajor funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City of St. Johns uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by bond or grant agreements. Funds are also utilized to track specific operations; these include the internal services funds (e.g. Mobile Equipment) as well as enterprise funds such as the Water & Sewer Fund.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds and where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for City of St. Johns include the General Fund, Garbage Fund, 2007 Capital Improvement Bonds Fund, and the Water & Sewer Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The City of St. Johns includes detailed information on its nonmajor funds in other supplementary sections of this report.

The City of St. Johns funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- **Governmental Funds** - Most of the City of St. Johns basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City of St. Johns programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- **Proprietary Funds** - Services for which the City of St. Johns charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. *Internal Service funds* report activities that provide supplies or service to the City of St. Johns other operations, such as the Mobile Equipment Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

City of St. Johns

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

- **Fiduciary Funds** - The City of St. Johns acts as a trustee or fiduciary in certain instances. The City of St. Johns fiduciary activities are reported in separate statements of Fiduciary Net Assets on page 13 and Schedule of Changes in Assets and Liabilities on page 53. This fund is reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the City of St. Johns to fund its operations.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 16 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

FINANCIAL ANALYSIS OF THE CITY OF ST. JOHNS AS A WHOLE

As previously stated, the City of St. Johns 2008 combined net assets were \$19,291,736 at the end of this fiscal year's operations. The net assets of the governmental activities were \$9,038,408; the business-type activities were \$10,253,328.

Net Assets as of June 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$ 5,746,864	\$ 5,909,416	\$ 9,517,837	\$ 4,121,999	\$ 15,264,801	\$ 10,031,415
Capital assets	9,508,813	9,393,992	14,854,747	14,071,195	24,363,560	23,465,187
Total assets	15,255,677	15,303,408	24,372,684	18,193,194	39,628,361	33,496,602
Liabilities						
Current	1,064,024	1,012,035	606,180	527,438	1,670,204	1,539,473
Noncurrent	5,153,245	5,499,591	13,513,176	7,606,396	18,666,421	13,105,987
Total liabilities	6,217,269	6,511,626	14,119,356	8,133,834	20,336,625	14,645,460
Net Assets						
Invested in capital assets-						
net of related debt	4,097,761	3,634,022	5,705,983	6,069,901	9,803,744	9,703,923
Restricted	2,074,395	2,428,436	1,275,119	963,716	3,349,514	3,392,152
Unrestricted	2,866,252	2,729,324	3,272,226	3,025,743	6,138,478	5,755,067
Total net assets	\$ 9,038,408	\$ 8,791,782	\$ 10,253,328	\$ 10,059,360	\$ 19,291,736	\$ 18,851,142

City of St. Johns

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

The increase of \$440,594 from 2007 to 2008 in total primary government net assets reflects the increase of revenues over expenses in the business-type activities of \$57,168, the increase of property tax revenues of \$139,739 and an interest earning increase of \$76,313.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City of St. Johns net assets changed between fiscal year 2007 to 2008:

Changes in Net Assets for the Fiscal Year Ended June 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenue:						
Charges for services	\$ 1,469,690	\$ 1,346,959	\$ 2,858,672	\$ 2,707,695	\$ 4,328,362	\$ 4,054,654
Operating grants and contributions	967,710	1,138,860	-	-	967,710	1,138,860
Capital grants and contributions	143,766	171,594	14,898	14,898	158,664	186,492
General revenues:						
Property taxes	2,355,955	2,216,216	-	-	2,355,955	2,216,216
State Revenue Sharing	721,434	738,444	-	-	721,434	738,444
Investment earnings	214,681	204,641	200,965	134,692	415,646	339,333
Gain (loss) on sale of assets	-	181,236	-	-	-	181,236
Miscellaneous	138,509	165,923	42,341	48,113	180,850	214,036
Total revenues	8,885,315	6,163,873	3,116,876	2,905,398	9,128,621	9,069,271
Expenses						
General government	1,266,220	1,727,638	-	-	1,266,220	1,727,638
Public safety	1,393,472	1,347,380	-	-	1,393,472	1,347,380
Public works	2,044,475	1,521,204	-	-	2,044,475	1,521,204
Community and economic development	199,831	338,282	-	-	199,831	338,282
Recreation and cultural	664,897	694,729	-	-	664,897	694,729
Water & Sewer	-	-	2,895,051	2,740,741	2,895,051	2,740,741
Interest on long-term debt	224,081	166,245	-	-	224,081	166,245
Total expenses	5,792,976	5,795,478	2,895,051	2,740,741	8,688,027	8,536,219
Change in net assets	246,626	368,395	193,968	164,657	440,594	533,052
Net assets, beginning of year	8,791,782	8,423,387	10,059,360	9,894,703	18,851,142	18,318,090
Net assets, end of year	\$ 9,038,408	\$ 8,791,782	\$ 10,253,328	\$ 10,059,360	\$ 19,291,736	\$ 18,851,142

Governmental Activities:

The result of fiscal year 2008 governmental activity was an increase of \$246,626 in net assets to \$9,038,408. Of the total governmental activities' net assets, \$4,097,761 is invested in capital assets less related debt, \$2,047,395 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City of St. Johns government. The balance of \$2,866,252 is listed as unrestricted, having no legal commitment.

City of St. Johns

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

Revenues:

The three largest revenue categories were property taxes at 27%, charges for services at 17% and grants and contributions at 11%. The City of St. Johns levies a property tax millage for general government operations at 9.5729 mills which is not assigned to any particular activity. Grants and contributions are the third largest source of governmental activity revenue.

Expenses:

Public works is the largest governmental activity, expending \$2.0 million. Public safety is the second largest governmental activity, expending over \$1.4 million. It includes the City's police and fire departments. General government is the third largest governmental activity with over \$1.3 million spent of the \$5.8 million total expenditures. This includes administration, elections and other legislative expenses, and municipal building expenses.

Business-type Activities:

Net assets in business-type activities increased by \$193,968 during the fiscal year 2008. This increase was partially due to a water and sewer rate study that was conducted and the current rates reviewed. The results of the study recommended that rates increase to allow for capital improvements and maintenance of the water and sewer system. Interest rates have increased over the past year so this revenue has also increased.

Of the total \$10 million of net assets in the business type activities, \$3 million is reported as unrestricted, \$1 million as restricted and \$6 million is invested in capital assets (net of related debt).

FINANCIAL ANALYSIS OF THE CITY OF ST. JOHNS MAJOR AND NONMAJOR FUNDS

As the City of St. Johns completed fiscal year 2008, its governmental funds reported *combined* fund balances of \$4,528,612. The net changes are summarized in the following chart:

	General Fund	Garbage	2007 Capital Improvement	Nonmajor Governmental Funds
Fund Balance 6/30/07	\$ 1,351,532	\$ 136,984	\$ 1,798,841	\$ 1,438,280
Fund Balance 6/30/08	\$ 1,437,733	\$ 242,432	\$ 1,409,457	\$ 1,464,763
Net Change	\$ 86,201	\$ 105,448	\$ (389,384)	\$ 26,483

The General Fund balance increased by \$86,201. This increase is reflective of budget management efforts. Another major governmental fund, Garbage, increased their fund balances by \$105,448. This increase to the Garbage fund balance was a combination of raising fees from \$120/household to \$160/household and the changing of vendors for our garbage services. The 2007 Capital Improvement fund decreased their fund balance by \$389,384. The 2007 Capital Improvement fund was created to track the issuance of bonds for a combination of projects which includes the reconstruction of two City streets and a new road salt storage facility. These projects are under construction and so funds are being spent. The combined other nonmajor funds increased by \$26,483 mostly due to an increase in the Local Street fund balance. Not all the revenues that were received were expended.

City of St. Johns

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

General Fund:

The General Fund is the chief operating fund of the City of St. Johns. Unless otherwise required by statute, contractual agreement, or Board policy, all City of St. Johns revenues and expenditures are recorded in the General Fund. As of June 30, 2008, the General Fund reported a fund balance of \$1,437,733. This amount is an increase of \$86,201 from the fund balance of \$1,351,532 reported as of June 30, 2007. Of the total fund balance, \$6,425 is reserved, designated, or earmarked for specific purposes.

General Fund Budgetary Highlights:

The City of St. Johns budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is frequently amended during the course of the fiscal year to reflect changing operational demands.

General Fund revenues totaled \$4,193,013; \$123,150 above the final amended budget. Transfer from the LDFA for debt service was not budgeted.

The City of St. Johns expenditures totaled \$4,106,812; \$34,261 less than the final amended budget. Debt payments made out of the General Fund and funds transferred from the LDFA were not budgeted. Most of this variance can be attributed to the Administration area because of a variance in the budgeted vs. actual in the fringe benefit expenses. Retirees are allowed to purchase insurance through the City and some of these retirees changed to other insurance carriers they found on their own.

Garbage Fund:

The Garbage fund has an increase of \$105,448 to its fund balance from the prior year. The total fund balance is \$242,432 and all is undesignated/unreserved. The Garbage fund is supported by a user fee of \$160/household and a .50 millage on the ad valorem tax roll. Services such as weekly pickup of brush, Christmas tree collection in January, and free screened compost for gardens and yards are some of the benefits of this fund.

2007 Capital Improvement Bonds Fund:

The 2007 Capital Improvement Bonds fund has a decrease of \$(389,384) to its fund balance from the prior year. The ending fund balance is \$1,409,457, all of which is designated for capital projects. This fund is used to account for the expenditures of the new capital improvement bonds, which is used for work on Oakland and Walker streets and a salt storage facility. The salt storage facility is completed and the work on the two streets is continuing.

Water & Sewer Fund:

The Water & Sewer fund had an increase to its net assets of \$193,968 from the prior year. Operating revenues showed an increase of \$153,311. Charges for services increased by \$150,977 or 5.5%. Operating expenses increased by \$17,762, this includes a sewage collection decrease of \$148,482. Non-operating expenses increased by \$136,548 in 2008. These expenses were in conjunction with a State of Michigan road project within the City limits. Interest revenue increased by \$66,273.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2008, the City of St. Johns had invested \$9,508,813, and \$14,361,685 (net of accumulated depreciation) for governmental and business-type capital assets respectively. Accumulated depreciation was \$7,100,572 for the governmental activities and \$12,140,338 for the business-type activities. Depreciation charges for the fiscal year totaled \$684,157 for the governmental activities and \$539,010 for the business-type activities. For more detailed information related to capital assets, refer to Note F to the financial statements.

City of St. Johns

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

	Governmental Activities	Business Type Activities	Total
Land	\$ 1,006,450	\$ 91,570	\$ 1,098,020
Construction in progress	213,565	311,000	524,565
Land Improvements, net	795,674	-	795,674
Buildings, net	2,301,851	-	2,301,851
Vehicles, net	763,634	-	763,634
Furniture/Other, net	98,428	-	98,428
Drain Flow Rights	23,823	-	23,823
Infrastructure, net	4,305,388	-	4,305,388
Water System, net	-	2,049,836	2,049,836
Sewer System, net	-	11,606,874	11,606,874
Water & Sewer Equipment, net	-	302,405	302,405
Capital assets, net	\$ 9,508,813	\$ 14,361,685	\$ 23,870,498

Long-term Debt - As of June 30, 2008, the City of St. Johns had \$19,632,827 in bonds, notes and accumulated vacation and sick time outstanding for the governmental activity group. Of this amount, \$18,230,000 is bonds, \$301,986 is sick and vacation, and \$1,054,063 is loans and notes (refer to Note G). This level of net obligation is \$5,563,586 higher than the obligation recorded as of June 30, 2007. This was mainly due to the issuance of \$6,295,000 in Water and Sewer Revenue Bonds.

Outstanding Debt as of June 30, 2008:

	July 1, 2007	Additions	Deletions	June 30, 2008
Primary Government				
Governmental Activities				
Bonds	\$ 4,790,000	\$ -	\$ 325,000	\$ 4,465,000
Loans Payable	281,115	-	34,075	247,040
Notes Payable	688,855	127,730	117,573	699,012
Accumulated vacation and sick	307,977	238,241	244,232	301,986
Total Governmental Activities	6,067,947	365,971	720,879	5,713,038
Business Type Activities				
Water and Sewer Bonds	7,878,385	6,315,108	381,715	13,811,778
Loan Payable	122,909	-	14,898	108,011
Total Business Type Activities	8,001,294	6,315,108	396,613	13,919,789
Total Reporting Entity	\$ 14,069,241	\$ 6,681,079	\$ 1,117,493	\$ 19,632,827
Debt Limit (10% of SEV)				\$ 21,834,296
Available Statutory Debt Limit	-see pg 82			\$ 17,550,409

Limitations on Debt:

State statute limits the City of St. Johns debt obligations to 10 percent of the current state equalized value (SEV). The City of St. Johns SEV as of June 30, 2008, was \$218 million; therefore the City of St. Johns debt limitation was \$21.8 million. The City of St. Johns remains well below its legal debt limit by approximately \$17 million.

City of St. Johns

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS & EFFECTS

One of St. Johns auto industry related employers has announced a second expansion to its plant in 2008. This expansion will bring additional processes and diversify its operation. This will help to bring additional employment opportunities to the area. A manufacturer in the City's industrial park added a 25,000 sq ft. addition to the existing facility this last year which added 20 new jobs. The State of Michigan's economic conditions still are in a downturn, so the City feels very fortunate that these employers are confident enough with the local workforce and conditions to expand their operations. The City works closely with these and the other businesses to help with any programs or state/federal opportunities that become available.

The State of Michigan continues to have difficulty in balancing their budget. Any shortfalls in projected revenues could affect our revenue sharing funds that we receive. In the 2008/2009 State of Michigan budget, revenue sharing is projected to have a 2% increase. Our budgets have already been cut more than once and any further cuts would affect the services that we provide to the citizens of St. Johns. Escalating fuel costs could affect the amount of revenues the state receives through the tourism industry. The City of St. Johns will have to monitor closely the State of Michigan's revenue projections for any proposed cuts as the fiscal year progresses.

CONTACTING THE CITY OF ST. JOHNS

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of St. Johns finances and to demonstrate the City of St. Johns accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the City of St. Johns Treasurer's Office at (989) 224-8944 or via email: csj@ci.saint-johns.mi.us

BASIC FINANCIAL STATEMENTS

City of St. Johns

STATEMENT OF NET ASSETS

June 30, 2008

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,774,242	\$ 1,998,782	\$ 6,773,024	\$ 63,519
Cash and cash equivalents, restricted	-	6,569,344	6,569,344	-
Receivables	632,957	876,279	1,509,236	-
Interfunds	6,187	(6,187)	-0-	-
Due from other governmental units	315,164	-	315,164	-
Inventories	9,859	79,719	89,578	-
Prepays	8,455	-	8,455	-
Total current assets	5,746,864	9,517,937	15,264,801	63,519
Noncurrent assets				
Deferred charges	-	493,062	493,062	-
Capital assets not being depreciated	1,220,015	402,570	1,622,585	-
Capital assets, net of accumulated depreciation	8,288,798	13,959,115	22,247,913	-
Total noncurrent assets	9,508,813	14,854,747	24,363,560	-0-
TOTAL ASSETS	15,255,677	24,372,684	39,628,361	63,519
LIABILITIES				
Current liabilities				
Accounts payable	244,784	29,368	274,152	2,604
Accrued liabilities	93,989	27,808	121,797	-
Due to other governmental units	103,581	-	103,581	200
Accrued interest payable	61,877	142,391	204,268	-
Current portion of compensated absences	102,675	-	102,675	-
Current portion of long-term debt	457,118	406,613	863,731	-
Total current liabilities	1,064,024	606,180	1,670,204	2,804
Noncurrent liabilities				
Noncurrent portion of compensated absences	199,311	-	199,311	-
Noncurrent portion of long-term debt	4,953,934	13,513,176	18,467,110	-
Total noncurrent liabilities	5,153,245	13,513,176	18,666,421	-0-
TOTAL LIABILITIES	6,217,269	14,119,356	20,336,625	2,804
NET ASSETS				
Invested in capital assets, net of related debt	4,097,761	5,705,983	9,803,744	-
Restricted for:				
Debt service	77,445	1,275,119	1,352,564	-
Capital projects	1,465,298	-	1,465,298	-
Drug law enforcement	2,460	-	2,460	-
Streets	529,192	-	529,192	-
Unrestricted	2,866,252	3,272,226	6,138,478	60,715
TOTAL NET ASSETS	\$ 9,038,408	\$ 10,253,328	\$ 19,291,736	\$ 60,715

See accompanying notes to financial statements.

City of St. Johns

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Component Units
Primary government:						
Governmental activities:						
General government	\$ 1,266,220	\$ 264,941	\$ 4,151	\$ (997,128)	\$ -	\$ (997,128)
Public safety	1,393,472	21,042	2,221	(1,370,209)	-	(1,370,209)
Public works	2,044,475	1,048,230	520,579	(446,936)	-	(446,936)
Community and economic development	199,831	19,500	227,472	161,647	-	161,647
Recreation and cultural	664,897	115,977	213,287	(335,103)	-	(335,103)
Interest on long-term debt	224,081	-	-	(224,081)	-	(224,081)
Total governmental activities	5,782,876	1,469,590	967,710	(3,211,810)	-0-	(3,211,810)
Business-type activities:						
Water and sewer	2,895,051	2,858,672	-	-	(21,481)	(21,481)
Total primary government	\$ 8,688,027	\$ 4,328,362	\$ 967,710	(3,211,810)	(21,481)	(3,233,291)
Component units:						
Principal Shopping District	\$ 61,397	\$ -	\$ 71,739	\$ -	\$ -	10,342
Local Development Finance Authority	173,872	-	-	-	-	(173,872)
Total component units	\$ 235,269	\$ -0-	\$ 71,739	\$ -0-	\$ -0-	(163,530)
General revenues:						
Property taxes				2,355,955	-	2,355,955
State shared revenues - unrestricted				721,434	-	721,434
Investment earnings				214,681	200,865	415,546
Miscellaneous				138,509	42,341	180,850
Transfers				27,857	(27,857)	-0-
Total general revenues and special item				3,458,436	215,449	3,673,885
CHANGE IN NET ASSETS				246,626	193,868	440,594
Net assets, beginning of the year				8,791,782	10,059,360	18,851,142
Net assets, end of the year				\$ 9,038,408	\$ 10,253,328	\$ 19,291,736
						\$ 60,715

See accompanying notes to financial statements.

City of St. Johns

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2008

	General	Garbage
ASSETS		
Cash and cash equivalents	\$ 1,255,182	\$ 242,502
Receivables		
Accounts	277,769	7,119
Special assessments	-	-
Due from other funds	6,187	-
Due from other governmental units		
Federal/State	105,347	-
Local	200	-
Prepays	6,425	-
TOTAL ASSETS	\$ 1,651,110	\$ 249,621
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Payables		
Accounts	\$ 41,844	\$ 868
Salaries	67,952	6,321
Due to other governmental units	103,581	-
Deferred revenue	-	-
TOTAL LIABILITIES	213,377	7,189
FUND BALANCES		
Reserved for		
Prepays	6,425	-
Debt service	-	-
Unreserved		
Designated for debt service, reported in		
General fund	305,000	-
Special revenue funds	-	-
Designated for capital projects, reported in		
Capital projects funds	-	-
Undesignated, reported in		
General fund	1,126,308	-
Special revenue funds	-	242,432
TOTAL FUND BALANCES	1,437,733	242,432
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,651,110	\$ 249,621

See accompanying notes to financial statements.

2007 Capital Improvement Bonds	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,591,887	\$ 1,276,040	\$ 4,365,611
4,322	1,176	290,386
-	342,571	342,571
-	-	6,187
-	209,617	314,964
-	-	200
-	2,030	8,455
<u>\$ 1,596,209</u>	<u>\$ 1,831,434</u>	<u>\$ 5,328,374</u>
\$ 186,752	\$ 8,408	\$ 237,872
-	15,692	89,965
-	-	103,581
-	342,571	342,571
186,752	366,671	773,989
-	2,030	8,455
-	139,322	139,322
-	-	305,000
-	425,375	425,375
1,409,457	55,841	1,465,298
-	-	1,126,308
-	842,195	1,084,627
<u>1,409,457</u>	<u>1,464,763</u>	<u>4,554,385</u>
<u>\$ 1,596,209</u>	<u>\$ 1,831,434</u>	<u>\$ 5,328,374</u>

City of St. Johns

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund balance - governmental funds \$ 4,554,385

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 16,609,385	
Accumulated depreciation is	<u>(7,100,572)</u>	
Capital assets, net		9,508,813

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		342,571
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Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets.

Net assets of governmental activities accounted for in Internal Service Funds	966,905	
Net capital assets of Internal Service Funds included in total capital assets above	(763,634)	
Long-term liabilities of Internal Service Fund included in total long-term liabilities below	<u>204,283</u>	
		407,554

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Bonds, notes, and loans payable	5,411,052	
Accrued interest payable	61,877	
Compensated absences	<u>301,986</u>	
		<u>(5,774,915)</u>

Net assets of governmental activities		<u>\$ 9,038,408</u>
--	--	----------------------------

See accompanying notes to financial statements.

City of St. Johns

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	General	Garbage
REVENUES		
Taxes	\$ 2,138,572	\$ 107,942
Licenses and permits	136,133	-
Intergovernmental	1,105,276	-
Charges for services	554,435	608,934
Fines and forfeits	38,290	-
Interest and rents	102,815	12,944
Other revenue	117,492	57
TOTAL REVENUES	4,193,013	729,877
EXPENDITURES		
Current		
General government	1,416,484	-
Public safety	1,335,660	-
Public works	309,685	624,429
Community and economic development	199,831	-
Recreation and cultural	223,944	-
Debt service	141,733	-
Capital outlay	39,575	-
TOTAL EXPENDITURES	3,666,912	624,429
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	526,101	105,448
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	(439,900)	-
TOTAL OTHER FINANCING SOURCES (USES)	(439,900)	-0-
NET CHANGE IN FUND BALANCES	86,201	105,448
Fund balances, beginning of year	1,351,532	136,984
Fund balances, end of year	<u>\$ 1,437,733</u>	<u>\$ 242,432</u>

See accompanying notes to financial statements.

2007 Capital Improvement Bonds	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 205,103	\$ 2,451,617
-	-	136,133
-	584,160	1,689,436
-	12,233	1,175,602
-	122,225	160,515
66,564	50,124	232,447
-	107,222	224,771
66,564	1,081,067	6,070,521
-	520	1,417,004
-	-	1,335,660
-	594,417	1,528,531
-	-	199,831
-	398,627	622,571
-	517,623	659,356
455,948	11,154	506,677
455,948	1,522,341	6,269,630
(389,384)	(441,274)	(199,109)
-	780,863	780,863
-	(313,106)	(753,006)
-0-	467,757	27,857
(389,384)	26,483	(171,252)
1,798,841	1,438,280	4,725,637
<u>\$ 1,409,457</u>	<u>\$ 1,464,763</u>	<u>\$ 4,554,385</u>

City of St. Johns

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Net change in fund balances - total governmental funds **\$ (171,252)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 798,978	
Depreciation expense	<u>(684,157)</u>	
		114,821

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (58,776)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Increase in net assets of Internal Service Funds	39,352	
Capital asset transactions of Internal Service Funds included in the total above	(230,393)	
Depreciation expense of Internal Service Funds included in the total above	111,609	
Debt proceeds of Internal Service Funds included in the total below	127,730	
Principal retirement of Internal Service Funds included in the total below	<u>(37,010)</u>	
		11,288

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Debt proceeds	(127,730)	
Debt principal retirement	<u>476,648</u>	
		348,918

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	(4,364)	
Decrease in accrued compensated absences	<u>5,991</u>	
		<u>1,627</u>

Change in net assets of governmental activities **\$ 246,626**

See accompanying notes to financial statements.

City of St. Johns
Proprietary Funds
STATEMENT OF NET ASSETS
June 30, 2008

	Business-type Activities <u>Enterprise</u> (Water and Sewer)	Governmental Activities Mobile Equipment
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,998,782	\$ 408,631
Cash and cash equivalents, restricted	6,569,344	-
Accounts receivable	876,279	-
Inventories	79,719	9,859
Total current assets	9,524,124	418,490
Noncurrent assets		
Deferred charges	493,062	-
Capital assets not being depreciated	402,570	-
Capital assets, net of accumulated depreciation	13,959,115	763,634
Total noncurrent assets	14,854,747	763,634
TOTAL ASSETS	24,378,871	1,182,124
LIABILITIES		
Current liabilities		
Accounts payable	29,368	6,912
Salaries payable	27,808	4,024
Accrued interest payable	142,391	-
Due to other funds	6,187	-
Bond and notes payable - current portion	406,613	18,231
Total current liabilities	612,367	29,167
Noncurrent liabilities		
Bonds and notes payable	13,513,176	186,052
TOTAL LIABILITIES	14,125,543	215,219
NET ASSETS		
Invested in capital assets, net of related debt	5,705,983	559,351
Restricted for debt service	1,275,119	
Unrestricted	3,272,226	407,554
TOTAL NET ASSETS	<u>\$ 10,253,328</u>	<u>\$ 966,905</u>

See accompanying notes to financial statements.

City of St. Johns

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2008

	Business-type Activities Enterprise (Water and Sewer)	Governmental Activities Mobile Equipment
OPERATING REVENUES		
Charges for services	\$ 2,853,672	\$ 491,609
Rentals	5,000	-
Other	33,981	1,617
TOTAL OPERATING REVENUES	2,892,653	493,226
OPERATING EXPENSES		
Water plant operation	284,593	-
Water distribution	432,138	-
Wastewater plant operation	694,171	-
Sewage collection	131,751	-
Administrative expenses	327,461	-
Mobile equipment	-	358,400
Depreciation	539,010	111,609
TOTAL OPERATING EXPENSES	2,409,124	470,009
OPERATING INCOME	483,529	23,217
NONOPERATING REVENUES (EXPENSES)		
Interest earned	200,965	13,059
Gain on sale of capital assets	-	11,515
Interest expense	(447,235)	(8,439)
Paying agent fees	(1,241)	-
Bond premium	8,360	-
Bond discount and deferred charges	(37,451)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(276,602)	16,135
NET INCOME BEFORE CAPITAL GRANT REVENUE AND TRANSFERS	206,927	39,352
CAPITAL GRANT REVENUE		
Local sources	14,898	-
TRANSFERS OUT	(27,857)	-
CHANGE IN NET ASSETS	193,968	39,352
Net assets, beginning of year	10,059,360	927,553
Net assets, end of year	<u>\$ 10,253,328</u>	<u>\$ 966,905</u>

See accompanying notes to financial statements.

City of St. Johns
Proprietary Funds
STATEMENT OF CASH FLOWS
Year Ended June 30, 2008

	Business-type Activities Enterprise (Water and Sewer)	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 2,839,149	\$ 1,617
Cash receipts from interfund services provided	-	491,609
Cash paid to vendors	(1,185,258)	(297,811)
Cash paid to employees	(689,376)	(64,648)
Cash paid for interfund services received	6,187	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	970,702	130,767
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contribution	14,898	-
Paying agent fees	(1,241)	-
Capital purchases	(829,500)	(230,393)
Proceeds from sale of equipment	-	11,515
Interest paid	(382,845)	(8,439)
Transfer out	(27,857)	-
Bond issuance and related costs	(201,413)	-
Proceeds from borrowings	6,295,000	127,730
Payments on borrowings	(394,898)	(37,010)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	4,472,144	(136,597)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	200,965	13,059
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,643,811	7,229
Cash and cash equivalents, beginning of year	2,924,315	401,402
Cash and cash equivalents, end of year	<u><u>\$ 8,568,126</u></u>	<u><u>\$ 408,631</u></u>

CONTINUED

City of St. Johns

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended June 30, 2008

	Business-type Activities Enterprise (Water and Sewer)	Governmental Activities Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 483,529	\$ 23,217
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	539,010	111,609
(Increase) in receivables	(53,504)	-
(Increase) in inventories	(7,157)	(1,893)
(Decrease) in accounts payable	(1,720)	(3,220)
Increase in salaries payable	4,357	1,054
Increase in due to other funds	6,187	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 970,702	\$ 130,767

See accompanying notes to financial statements.

City of St. Johns

Fiduciary Fund

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

	Current Tax Collections
ASSETS	
Cash and cash equivalents	\$ 685
Due from other governmental units	<u>676</u>
TOTAL ASSETS	<u>\$ 1,361</u>
LIABILITIES	
Due to other governmental units	\$ 505
Due to individuals and agencies	<u>856</u>
TOTAL LIABILITIES	<u>\$ 1,361</u>

See accompanying notes to financial statements.

City of St. Johns

Component Units

STATEMENT OF NET ASSETS

June 30, 2008

	Principal Shopping District	Local Development Finance Authority	Total Component Units
ASSETS			
Current			
Cash and cash equivalents	\$ 13,905	\$ 49,614	\$ 63,519
LIABILITIES			
Current			
Accounts payable	2,604	-	2,604
Due to other governmental units	200	-	200
TOTAL LIABILITIES	2,804	-0-	2,804
NET ASSETS			
Unrestricted	<u>\$ 11,101</u>	<u>\$ 49,614</u>	<u>\$ 60,715</u>

See accompanying notes to financial statements.

City of St. Johns

Component Units

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets			
			Principal Shopping District	Development Finance Authority	Local	Total Component Units
Governmental activities:						
Principal Shopping District						
Community and economic development	\$ 61,397	\$ 71,739	\$ 10,342	\$ -	\$	\$ 10,342
Local Development Finance Authority	173,872	-	-	(173,872)		(173,872)
Community and economic development						
TOTALS	\$ 235,269	\$ 71,739	10,342	(173,872)		(163,530)
General revenues						
Property taxes			-	171,631		171,631
Investment earnings			683	189		872
Total general revenues			683	171,820		172,503
CHANGE IN NET ASSETS			11,025	(2,052)		8,973
Net assets, beginning of year			76	51,666		51,742
Net assets, end of year			\$ 11,101	\$ 49,614	\$	\$ 60,715

See accompanying notes to financial statements.

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of St. Johns is the county seat for Clinton County, Michigan, and has a population of approximately 7,485. St. Johns is a Home Rule City with a City Manager/Commission form of government. The City is located eighteen (18) miles north of Lansing, the State Capital, and is known as the "Mint Festival City".

The City has five City Commissioners who are selected at large for overlapping four (4) year terms. The Commission appoints the City Manager, Clerk, Treasurer, and Assessor.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing* No. 5, these financial statements present the financial activities of the City of St. Johns (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government. All component units are included in the City's audit and are not audited separately.

2. Blended Component Unit

The Building Authority is governed by a three (3) member board appointed by the City Commission. Its purpose is to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities, stadiums and the necessary site or sites therefore for the use of the City.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, the City of St. Johns remains financially accountable for these entities or the nature and significance of the relationship between these entities and the City of St. Johns is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Local Development Finance Authority (LDFA) is governed by a ten (10) member board, seven (7) of whom are appointed by the Chief Executive Officer, subject to approval by the City Commission, one (1) of whom is appointed by the Clinton County Board of Commissioners, and two (2) of whom are appointed by the chief executive officer of St. Johns Public Schools. The purpose of the LDFA is to eliminate the causes of unemployment, underemployment, and joblessness and to promote economic growth in the City, pursuant to Act 281 of the Public Acts of Michigan, 1986, as amended. The City has the ability to significantly influence operations of the LDFA and also has a potential financial benefit or burden. The LDFA is legally separate and fiscally independent of the City. The LDFA is included in the City's financial statements and is not audited separately.

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - concluded

The Principal Shopping District (PSD) is governed by a board of no less than nine (9) and no more than thirteen (13) directors. The board is comprised of owners and/or operators of downtown businesses, excepting by statute that one member shall be a representative of the City and one member shall be an adjacent neighborhood resident to the downtown area. The members are appointed by the City Commission. In addition, the Clinton County Board of Commissioners appoints one County representative to the board. The purpose of the PSD is to facilitate programs for an improved growth environment in and near downtown St. Johns, and to assist the downtown area in becoming a stronger mixed-use urban center by encouraging a variety of retail, service, professional, residential and recreational opportunities. The City has the ability to significantly influence operations of the PSD and also has a potential financial benefit or burden. The PSD is legally separate and fiscally independent of the City. The PSD is included in the City's financial statements and is not audited separately.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Garbage Fund is used to account for the proceeds of garbage collection that are legally restricted to expenditures for the purpose of garbage collection.
- c. The 2007 Capital Improvement Bonds Fund is used to account for bonds received and expended for capital improvement to streets within the City.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - concluded

The City reports the following major enterprise fund:

- a. The Water and Sewer Fund is used to account for the operations required to providing water and sewer services to the general public, the costs (expenses, including depreciation) is financed or recovered primarily through user charges.

Additionally, the City reports an internal service fund to account for the management of mobile equipment provided to other departments of the City on cost reimbursement basis.

The City also reports an agency fund to account for assets held by the City as an agent for other governments, private organizations, or individuals. Agency funds are, by nature, custodial; therefore, operation results are not measured. The City's agency fund is the Current Tax Collections Fund.

5. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and agency funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - concluded

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown as required and other supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to April 1, the City Commission and City Manager prepare and submit their proposed operating budgets for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to June 1, the budget is legally enacted through passage of a resolution.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Fund; however, they are maintained at the account level for control purposes.
- e. After the budget is adopted, all transfers of budgeted amounts between departments within the General Fund or any revisions that alter the total expenditures of any fund must be approved by the City Commission.
- f. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- g. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.
- h. Budgeted amounts are reported as originally adopted or amended by the City Commission during the year. Individual amendments were not material in relation to the original budgets which were amended.

8. Deposits

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash equivalents consist of mutual funds.

9. Property Tax

The City of St. Johns bills and collects its own property taxes and taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Property Tax - concluded

Property taxes are levied by the City of St. Johns on July 1 and December 1 and are payable without penalty through August 14 and February 14, respectively. The July 1 levy was composed of the County's levy, the State Education Tax assessment and the City's millage and assessments. The December 1 levy was composed of school taxes as well as any unpaid July 1 City levies. All real property taxes not paid to the City by March 1 are turned over to the Clinton County Treasurer for collection. The Clinton County Treasurer remits pay-off payments to all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by state statute to levy taxes up to 10 mills (\$10 per \$1,000 of assessed valuation) for general governmental services other than the payment of Debt Service Fund expenditures. They are also permitted to levy additional mills specifically designated for Library, Garbage, and Recreation services. For the year ended June 30, 2008, the City levied 9.5729 mills for general governmental services, 0.9988 mill for Library services, 0.5000 mills for Garbage services, and 0.2349 mills for Recreation services. The total taxable value for the 2007 levy for property within the City was \$212,838,357.

10. Inventories

Inventories in the Enterprise Fund consist of Water Department supplies which are stated at the lower of cost or market on the first in - first out basis. Inventory in the Internal Service Fund consist of consumable Mobile Equipment supplies which are stated at the lower of cost or market on the first in - first out basis.

11. Prepayments

Prepaid expenditures in the governmental funds, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

12. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, individual employees have vested rights to receive payment for unused vacation and sick leave.

Accumulated vacation and sick pay amounts that are vested have been recorded in the government-wide financial statements.

13. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The General Fund and Internal Service Fund (Mobile Equipment) records charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED**14. Capital Assets****PRIMARY GOVERNMENT AND COMPONENT UNITS**

Capital assets include land, land improvements, buildings and improvements, equipment, vehicles, and construction in progress and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type activities columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	5 - 25 years
Buildings and improvements	20 - 40 years
Vehicles	5 years
Furniture and other assets	5 years
Infrastructure	20 years
Drain flowage rights	25 years
Sewer lines	40 years
Pump stations	20 years
Equipment	3 -10 years

15. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

The City cash and cash equivalents consist of a common savings account, a common checking account, various savings, money markets, mutual funds, checking accounts, and a certificate of deposit with an original maturity of 90 days or less maintained by individual funds and are reported as cash and cash equivalents in the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the 3 highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City's investment policy is more restrictive than Michigan Compiled Laws. The City's investment policy authorizes the following investment vehicles:

1. All bonds, securities, and obligations of the United States or any of its agencies or instrumentalities.
2. Certificates of deposit, savings accounts, deposit accounts.
3. Repurchase agreements with the City's main depositories.
4. Money market mutual funds whose portfolios consist of U.S. government securities or other broadly diversified money market instruments as permitted by State law and whose portfolios are limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
5. Investment pools composed of investment vehicles which are legal for direct investment by local units of government in Michigan in accordance with Act No. 367 of the Public Acts of 1982.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2008, the carrying amount of the City's deposits was \$13,164,125 and the bank balance was \$13,525,283 of which \$650,242 was covered by federal depository insurance. The balance of \$12,875,041 was uninsured and uncollateralized. The financial statements include \$1,100 of imprest cash.

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH AND CASH EQUIVALENTS - CONCLUDED

External Pooled Investment Funds

The City has funds in an external investment pool authorized by Michigan Public Act No. 367 of the Public Acts of 1982. As of June 30, 2008, the carrying amount and fair values of the external pooled investment funds was \$241,347. The fair value of the City's position in the external investment pool is the same as the value of the pool shares.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The City's investment in the external pooled investment funds are not categorized at risk level because it is not evidenced by securities that exist in physical or book form.

Interest rate risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

Concentration of credit risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Commission and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business in accordance with Commission approved policy.

The cash and cash equivalents referred to above have been reported in the cash and cash equivalents captions in the basic financial statements, based on criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2008.

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Fund</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 6,773,024	\$ 63,519	\$ 685	\$ 6,837,228
Cash and cash equivalents - restricted	<u>6,569,344</u>	<u>-</u>	<u>-</u>	<u>6,569,344</u>
	<u>\$13,342,368</u>	<u>\$ 63,519</u>	<u>\$ 685</u>	<u>\$13,406,572</u>

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE C: CASH AND CASH EQUIVALENTS - RESTRICTED

The following summarizes the restricted cash and cash equivalents as of June 30, 2008:

	<u>Debt Retirement</u>	<u>Capital Projects</u>	<u>Other</u>	<u>Total</u>
Water and Sewer Fund	<u>\$ 1,275,119</u>	<u>\$ 5,264,087</u>	<u>\$ 30,138</u>	<u>\$ 6,569,344</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2008, are as follows:

Due to General Fund from:	
Water and Sewer Fund	<u>\$ 6,187</u>

Amounts appearing as Interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE E: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

Transfers to nonmajor governmental funds from:	
General Fund	\$ 439,900
Water and Sewer Fund	27,857
Nonmajor governmental funds	<u>313,106</u>
	<u>\$ 780,863</u>

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

Primary Government

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 1,006,450	\$ -	\$ -	\$ 1,006,450
Construction in progress	<u>-</u>	<u>213,565</u>	<u>-</u>	<u>213,565</u>
Total capital assets not being depreciated	1,006,450	213,565	-0-	1,220,015

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental activities - concluded				
Capital assets, being depreciated:				
Land improvements	\$ 1,045,651	\$ 90,852	\$ -	\$ 1,136,503
Buildings and improvements	2,887,486	150,085	-	3,037,571
Vehicles	1,771,246	230,393	-	2,001,639
Furniture and other assets	860,655	38,340	-	898,995
Drain flowage rights	30,623	-	-	30,623
Infrastructure	<u>8,208,296</u>	<u>75,743</u>	<u>-</u>	<u>8,284,039</u>
Total capital assets being depreciated	14,803,957	585,413	-0-	15,389,370
Less accumulated depreciation for:				
Land improvements	(250,975)	(89,854)	-	(340,829)
Buildings and improvements	(663,875)	(71,845)	-	(735,720)
Vehicles	(1,126,396)	(111,609)	-	(1,238,005)
Furniture and other assets	(761,984)	(38,583)	-	(800,567)
Drain flowage rights	(5,575)	(1,225)	-	(6,800)
Infrastructure	<u>(3,607,610)</u>	<u>(371,041)</u>	<u>-</u>	<u>(3,978,651)</u>
Total accumulated depreciation	<u>(6,416,415)</u>	<u>(684,157)</u>	<u>-0-</u>	<u>(7,100,572)</u>
Total capital assets being depreciated, net	<u>8,387,542</u>	<u>(98,744)</u>	<u>-0-</u>	<u>8,288,798</u>
Governmental activities capital assets, net	<u>\$ 9,393,992</u>	<u>\$ 114,821</u>	<u>\$ -0-</u>	<u>\$ 9,508,813</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 40,083
Public safety	57,812
Public works	515,944
Recreation and cultural	<u>70,318</u>
Total Depreciation Expense	<u>\$ 684,157</u>

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 91,570	\$ -	\$ -	\$ 91,570
Construction in progress	<u>-</u>	<u>311,000</u>	<u>-</u>	<u>311,000</u>
Total capital assets not being depreciated	91,570	311,000	-0-	402,570
Capital assets, being depreciated:				
Water system	5,342,198	-	-	5,342,198
Sewer system	19,069,581	518,500	-	19,588,081
Water and sewer equipment	<u>1,169,174</u>	<u>-</u>	<u>-</u>	<u>1,169,174</u>
Total capital assets being depreciated	25,580,953	518,500	-0-	26,099,453

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE F: CAPITAL ASSETS - CONCLUDED

Primary Government - concluded

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Business-type activities - concluded				
Less accumulated depreciation for:				
Water system	\$(3,185,989)	\$(106,373)	\$ -	\$(3,292,362)
Sewer system	(7,590,060)	(391,147)	-	(7,981,207)
Water and sewer equipment	(825,279)	(41,490)	-	(866,769)
Total accumulated depreciation	(11,601,328)	(539,010)	-0-	(12,140,338)
Total capital assets being depreciated, net	13,979,625	(20,510)	-0-	13,959,115
Business-type activities capital assets, net	\$ 14,071,195	\$ 290,490	\$ -0-	\$ 14,361,685

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2008.

PRIMARY GOVERNMENT

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year
Governmental Activities					
1997 Building Authority Bonds	\$ 475,000	\$ -	\$(35,000)	\$ 440,000	\$ 40,000
1998 Michigan Transportation Bonds	200,000	-	(30,000)	170,000	30,000
1998 Building Authority Bonds	995,000	-	(60,000)	935,000	65,000
2001 Walker Road G.O. Bonds	120,000	-	(25,000)	95,000	30,000
2001 Walker Road					
Special Assessment Bonds	70,000	-	(20,000)	50,000	15,000
2003 Michigan Transportation Fund Bonds	470,000	-	(15,000)	455,000	15,000
2004 Capital Improvement Bonds	610,000	-	(70,000)	540,000	70,000
2007 Capital Improvement Bonds	1,850,000	-	(70,000)	1,780,000	65,000
Accumulated vacation, sick leave, and longevity	307,977	238,241	(244,232)	301,986	102,675
Note payable - Fifth Third Bank, Land	93,000	-	(29,000)	64,000	32,000
Note payable - Citizens Bank, Depot	9,645	-	(9,645)	-0-	-
Note payable - Fifth Third Bank, Land	92,923	-	(14,140)	78,783	14,654
Note payable - Banc One, Land	379,725	-	(27,779)	351,946	28,428
Note payable - Citizens Bank, Front-loader	15,188	-	(15,188)	-0-	-
Note Payable - Firstbank, Fire truck	98,374	-	(9,870)	88,504	7,269
Note Payable - Firstbank Sweeper	-	127,730	(11,951)	115,779	10,692
CDBG Loan - MEDC - 2002	281,115	-	(34,075)	247,040	34,075
Governmental activities long-term liabilities	6,067,947	365,971	(720,880)	5,713,038	559,793

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE G: LONG-TERM DEBT - CONTINUED**PRIMARY GOVERNMENT - CONCLUDED**

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year
Business-type Activities					
Water Supply and Sewage					
1997 System Revenue Bonds	\$ 255,000	\$ -	\$(125,000)	\$ 130,000	\$ 130,000
1997A System Revenue Bonds	60,000	-	(30,000)	30,000	30,000
2003 Water and Sewer Refunding Bonds	4,320,000	-	(200,000)	4,120,000	205,000
2005 Water and Sewer Revenue Bonds	3,215,000	-	(25,000)	3,190,000	25,000
2007 Water and Sewer Revenue Bonds	-	6,295,000	-	6,295,000	-
Add (less) deferred amounts:					
For issuance discounts/premiums (net)	<u>28,385</u>	<u>20,108</u>	<u>(1,715)</u>	<u>46,778</u>	<u>1,715</u>
Total bonds payable	7,878,385	6,315,108	(381,715)	13,811,778	391,715
CDBG Loan - MEDC - 2002	<u>122,909</u>	<u>-</u>	<u>(14,898)</u>	<u>108,011</u>	<u>14,898</u>
Business-type activities long-term liabilities	<u>8,001,294</u>	<u>6,315,108</u>	<u>(396,613)</u>	<u>13,919,789</u>	<u>406,613</u>
TOTAL PRIMARY GOVERNMENT	<u>\$14,069,241</u>	<u>\$ 6,681,079</u>	<u>\$(1,117,493)</u>	<u>\$19,632,827</u>	<u>\$ 966,406</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above total for governmental activities.

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT**General Long-Term Debt Bonds (Payable from Debt Service Funds)**

\$750,000 1997 General Obligation Building Authority Bonds dated March 1, 1997, due in annual installments ranging from \$40,000 to \$60,000 through October 1, 2016, with interest ranging from 5.20 to 5.50 percent, payable semi-annually.	\$ 440,000
\$430,000 1998 Michigan Transportation Fund Bonds dated May 1, 1998, due in semi-annual installments ranging from \$30,000 to \$35,000 through August 1, 2012, with interest at 4.80 percent, payable semi-annually.	170,000
\$1,400,000 1998 Building Authority Bonds dated November 1, 1998, due in annual installments ranging from \$65,000 to \$110,000 through October 1, 2018, with interest at 4.375 percent, payable semi-annually.	935,000
\$250,000 2001 Walker Road Bonds dated September 1, 2001, due in annual installments ranging from \$30,000 to \$35,000 through March 1, 2011, with interest of 4.0 percent, payable semi-annually.	95,000
\$165,000 2001 Walker Road Special Assessment Bonds dated September 1, 2001, due in annual installments ranging from \$15,000 to \$20,000 through March 1, 2011, with interest of 4.0 percent, payable semi-annually.	50,000

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE G: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

General Long-Term Debt Bonds (Payable from Debt Service Funds) - concluded

\$480,000 2003 Michigan Transportation Fund Bonds dated December 1, 2003, due in annual installments ranging from \$15,000 to \$70,000 through August 1, 2018, with interest ranging from 3.125 to 4.200 percent, payable semi-annually.	\$ 455,000
\$735,000 2004 Capital Improvement Bonds dated October 1, 2004, due in annual installments ranging from \$70,000 to \$90,000 through March 1, 2015, with interest ranging from 2.75 to 4.10 percent, payable semi-annually.	540,000
\$1,850,000 2007 Capital Improvement Bonds dated May 3, 2007, due in annual installments ranging from \$65,000 to \$130,000 through April 1, 2027, with interest ranging from 4.000 to 4.125 percent, payable semi-annually.	<u>1,780,000</u>
	<u>\$ 4,465,000</u>

The 2001 Walker Road Special Assessment Bonds were issued to provide funds to finance improvements made to Walker Road. These bonds will be repaid from amounts levied against the property owners benefited by these improvements. In the event a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are received.

Water Supply and Sewage Disposal System Bonds

Water Supply and Sewage Disposal System Revenue Bonds dated March 1, 1997, due in an annual installment of \$130,000 on October 1, 2008, with interest of 5.10 percent, payable semi-annually.	\$ 130,000
Water Supply and Sewage Disposal System Revenue Bonds dated May 1, 1997, due in an annual installment of \$30,000 on October 1, 2008, with interest of 5.60 percent, payable semi-annually.	30,000
Water Supply and Sewage Disposal System Revenue Refunding Bonds dated May 24, 2005, due in annual installments ranging from \$25,000 to \$575,000 through October 1, 2017, with interest ranging from 3.25 to 5.00 percent, payable semi-annually.	3,190,000
Water Supply and Sewage Disposal System Revenue Refunding Bonds dated July 1, 2003, due in annual installments ranging from \$5,000 to \$300,000 through October 1, 2027, with interest ranging from 2.375 to 4.40 percent, payable semi-annually.	4,120,000
Water Supply and Sewage Disposal System Revenue Refunding Bonds dated December 18, 2007, due in annual installments ranging from \$5,000 to \$800,000 through October 1, 2032, with interest ranging from 4.00 to 5.00 percent, payable semi-annually.	<u>6,295,000</u>
	<u>\$13,785,000</u>

City of St. Johns
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE G: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

General Long-Term Debt Note and Loan Payable Agreements (Payable from General Fund)

1995 Note due in annual installments of \$37,328 through October 1, 2009, for land (116.58 acres) costing \$349,740.	\$ 64,000
2003 Note due in monthly installments of \$1,439 through June 20, 2013, to refinance a note for land costing \$191,000.	78,783
2003 Note due in annual installments ranging from \$28,428 to \$35,817 through July 1, 2019, for land costing \$536,000.	<u>351,946</u>
	<u>\$ 494,729</u>

Internal Service Fund Note Payable Agreement

2006 Note due in semi-annual installments of \$6,850 through October 1, 2015, for a Fire Truck costing \$212,195.	\$ 88,504
2007 Note due in semi-annual installments of \$15,975 through April 1, 2017, for a Street Sweeper costing \$127,730.	<u>115,779</u>
	<u>\$ 204,283</u>

CDBG Loans - Michigan Economic Development Corporation (MEDC)

On August 23, 2002, the City received a loan award of \$1,100,000 from the Michigan Economic Development Corporation for the expansion of the industrial park. These funds were derived from the Federal Community Development Block Grant (CDBG) program. The City received a credit of \$10,000 for each qualifying net new job in excess of 115 jobs created as a result of this expansion up to 50% of the loan amount, plus accrued interest. Quarterly principal payments of \$12,243 are due through August 1, 2015.

Since the expansion related to both streets and utilities infrastructure, the loan proceeds were recorded in both the Capital Project Fund and Water and Sewer (Enterprise) Fund.

The outstanding balance as of June 30, 2008, is as follows:

Industrial Park #1	\$ 247,040
Water and Sewer Fund	<u>108,011</u>
	<u>\$ 355,051</u>

Accrued Vacation, Sick Leave and Longevity

Individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave, and also receive an annual longevity payment. The dollar amounts of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$301,986 at June 30, 2008. For governmental activities, accrued vacation, sick leave, and longevity are generally liquidated by the General Fund.

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE G: LONG-TERM DEBT - CONCLUDED

The annual requirements to pay the debt principal and interest outstanding for the following Bonds, Notes, and Land Contract are as follows:

Primary Government

Year Ending June 30.	<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>		<u>Loans, Notes and Land Contract Agreements</u>		<u>Special Assessment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 315,000	\$ 182,254	\$ 390,000	\$ 562,438	\$ 142,016	\$ 33,757	\$ 15,000	\$ 2,000
2010	325,000	169,272	400,000	548,967	147,114	29,879	20,000	1,400
2011	345,000	147,734	415,000	535,639	117,194	21,464	15,000	600
2012	320,000	141,168	425,000	521,108	119,522	18,513	-	-
2013	340,000	127,084	445,000	505,505	121,970	15,446	-	-
2014 - 2018	1,585,000	414,649	2,645,000	2,212,599	370,430	36,951	-	-
2019 - 2023	695,000	168,141	2,405,000	1,676,402	35,817	831	-	-
2024 - 2028	490,000	51,564	2,965,000	1,106,426	-	-	-	-
2029 - 2033	-	-	3,675,000	406,303	-	-	-	-
	<u>\$4,415,000</u>	<u>\$1,401,866</u>	<u>\$13,765,000</u>	<u>\$ 8,075,387</u>	<u>\$ 1,054,063</u>	<u>\$ 156,841</u>	<u>\$ 50,000</u>	<u>\$ 4,000</u>

Advance Refunding - Prior

On May 24, 2005, the City defeased a portion of the 1997 Water Supply and Sewage Disposal System Revenue Refunding Bonds which were due and payable October 1, 1997 through October 1, 2016, and a portion of the 1997A Water Supply and Sewage Disposal System Revenue Bonds, which were due and payable October 1, 1997, through October 1, 2016. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued 2005 Water Supply and Sewage Disposal System Revenue and Revenue Refunding Bonds in the amount of \$3,240,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2008, bonds due and payable October 1, 2009, through October 1, 2016, for the 1991 Water Supply and Sewage Disposal System Revenue Refunding Bonds in the amount of \$1,375,000 and bonds due and payable October 1, 2009, through October 1, 2016, for the 1997A Water Supply and Sewage Disposal System Revenue Bonds in the amount of \$1,685,000 are considered defeased.

On July 31, 2003, the City defeased a portion of the 1991 Water Supply and Sewage Disposal System Revenue Refunding Bonds which were due and payable May 1, 1991, through October 1, 2006, and a portion of the 1993 Water Supply and Sewage Disposal System Revenue Bonds, which were due and payable October 1, 1993, through October 1, 2013. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued 2003 Water Supply and Sewage Disposal System Revenue and Revenue Refunding Bonds in the amount of \$4,875,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2008, bonds due and payable October 1, 2008, through October 1, 2013, for the 1993 Water Supply and Sewage Disposal System Revenue Bonds in the amount of \$1,320,000 are considered defeased.

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE H: RETIREMENT PLAN

Plan Description

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the City Commission and by negotiation with the City's collective bargaining units. The plan requires no contribution from the employees. The City is required to provide amounts necessary to fund the system.

Annual Pension Cost

For year ended June 30, 2008 the City's annual pension cost of \$412,264 for the plan was equal to the City's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age cost method. Actual contributions were based on actual reported monthly pays. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.40% per year depending on age, seniority, and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The general division of the plan is closed to new hires; the police and fire division of the plan is open to new hires. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Actuarial value of assets	\$ 8,676,963	\$ 9,055,038	\$ 9,539,820
Actuarial accrued liability (AAL) (entry age)	12,634,727	13,099,082	13,716,342
Unfunded AAL	3,957,764	4,044,044	4,176,522
Funded ratio	69 %	69 %	70 %
Covered payroll	1,654,939	1,732,517	1,663,725
UAAL as a percentage of covered payroll	239 %	233 %	251 %

	Year Ended June 30,		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Annual pension cost	\$ 308,449	\$ 372,548	\$ 412,264
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE I: COMMITMENTS

In December 1998, the City entered into a construction agreement with Clinton County to construct a new Courthouse. At the same time, the Building Authority entered into a ground lease with Clinton County that provides the City administrative office space for a term of ninety-nine (99) years, at a rate of \$1 per year.

The terms of the construction agreement dictate that the City shall pay 9.2% of the cost of improvements incurred by the County. The terms of the ground lease dictate that the County or City may terminate the lease on or after the December 31 occurring not earlier than ten (10) years following occupancy ("termination date"). For ten (10) years following the termination date, the County or City may terminate the lease subject to varying percentage payments reimbursing the City for their pro rata share of the cost of improvements. After the tenth year following the termination date, either party may terminate the lease subject to 100% reimbursement of the City's pro rata share of the cost of improvements.

NOTE J: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

The City also participates in a State pool, the Michigan Municipal League, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

NOTE K: BUILDING AND ZONING FINANCIAL INFORMATION

The City elected to report the financial activities of the building and zoning department in the General Fund. The following is the State required information as it relates to this department activity for the period July 1, 2007, to June 30, 2008:

REVENUES	
Building permits	\$ 52,263
EXPENDITURES	
Contracted services	<u>43,114</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 9,149</u>

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE L: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balances are used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the City has set aside for specific purposes.

The following are the various fund balance reserves as of June 30, 2008:

Primary Government	
General Fund	
Reserved for prepaids	\$ <u>6,425</u>
Nonmajor governmental funds	
Reserved for prepaids	\$ 2,030
Reserved for debt service	<u>139,322</u>
	\$ <u>141,352</u>

The following are the various fund balance designations as of June 30, 2008:

General Fund	
Designated for debt service	\$ <u>305,000</u>
2007 Capital Improvement Fund	
Designated for capital projects	\$ <u>1,409,457</u>
Nonmajor governmental funds	
Designated for debt service	\$ 425,375
Designated for capital projects	<u>55,841</u>
	\$ <u>481,216</u>

NOTE M: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2008:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for:	
Debt service	\$ 77,445
Capital projects	1,465,298
Drug law enforcement	2,460
Streets	<u>529,192</u>
Total governmental activities	\$ <u>2,074,395</u>
Business-type activities	
Restricted for:	
Debt service	\$ <u>1,275,119</u>

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE N: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local government unit not incur expenditures in excess of amounts appropriated.

In the body of the required and other supplementary information to the financial statements, the City's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2008, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Police	\$ 1,092,934	\$ 1,098,527	\$ 5,593
Debt service			
Principal	27,244	114,639	87,395
Interest	-	27,094	27,094

NOTE O: CONTRACTUAL COMMITMENT

On June 13, 2008, the City entered into a contract related to improvements to be made to the wastewater treatment facility that was not completed at June 30, 2008. The total contractual commitment outstanding at June 30, 2008, was \$4,419,000. During the year the City issued 2007 Water and Sewer Revenue Bonds in the amount of \$6,295,000 to cover the costs of this project as well as other improvements.

REQUIRED SUPPLEMENTARY INFORMATION

City of St. Johns

General Fund

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended June 30, 2008
With Actual Amounts for Year Ended June 30, 2007

	Original Budget	Final Amended Budget	2008 Actual	Variance with Final Budget Positive (Negative)	2007 Actual
REVENUES					
Taxes					
General property tax	\$ 1,950,705	\$ 1,950,705	\$ 1,967,164	\$ 16,459	\$ 1,842,302
Act 359 tax	50,000	50,000	50,724	724	47,928
Property taxes on other than assessed valuation	3,500	3,500	3,085	(415)	5,385
Penalties and interest	11,000	11,000	21,938	10,938	16,116
Administrative fees	85,000	98,000	95,681	(339)	89,820
Total taxes	2,100,205	2,111,205	2,138,572	27,367	2,001,551
Licenses and permits					
Parking permits	3,000	3,000	4,993	1,993	4,700
Building permits	65,000	65,000	52,263	(12,737)	56,677
Peg channel fees	-	-	9,560	9,560	13,855
Franchise fees	68,000	68,000	68,362	362	67,708
City licenses and permits	600	600	955	355	2,170
Total licenses and permits	136,600	136,600	136,133	(467)	145,110
Intergovernmental					
State shared revenue					
Sales tax	729,812	729,812	721,434	(8,378)	738,444
Liquor licenses	4,000	4,000	4,151	151	3,943
Metro act	23,000	23,000	23,492	492	23,203
Local	26,150	26,150	128,727	102,577	159,826
Other Federal grants	192,925	202,925	227,472	24,547	381,944
Total intergovernmental	975,887	985,887	1,105,276	119,389	1,307,360
Charges for services					
Filing fees	10,000	10,000	-	(10,000)	-
Fire protection	10,000	10,000	15,900	5,900	9,700
Water and sewage administration	312,000	312,000	312,000	-0-	300,000
Mobile equipment administration	50,145	50,145	50,145	-0-	48,145
Library administration and maintenance	21,000	21,000	21,000	-0-	20,600
Garbage administration	75,400	75,400	75,400	-0-	72,500
LDFA administration	7,500	7,500	7,500	-0-	7,500
Recreation	85,426	85,426	72,490	(12,936)	72,796
Total charges for services	571,471	571,471	554,435	(17,036)	531,241
Fines and forfeits					
Parking fines	5,000	5,000	5,142	142	5,345
District court	30,000	30,000	33,148	3,148	32,664
Total fines and forfeits	35,000	35,000	38,290	3,290	38,009
Interest and rents					
Interest	81,500	81,500	85,050	3,550	107,249
Rents	22,250	22,250	17,765	(4,485)	18,953
Total interest and rents	103,750	103,750	102,815	(935)	126,202

City of St. Johns

General Fund

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2008
With Actual Amounts for Year Ended June 30, 2007

	Original Budget	Final Amended Budget	2008 Actual	Variance with Final Budget Positive (Negative)	2007 Actual
REVENUES - CONCLUDED					
Other revenue					
Donations	\$ -	\$ -	\$ -	\$ -0-	\$ 5,505
Other reimbursements	70,750	88,750	79,398	(9,352)	109,941
Sale of capital assets	-	-	-	-0-	181,236
Miscellaneous	12,200	37,200	38,094	894	24,317
Total other	82,950	125,950	117,492	(8,458)	320,999
TOTAL REVENUES	4,005,863	4,069,863	4,193,013	123,150	4,470,472
EXPENDITURES					
General government					
Legislative	321,046	321,046	304,432	16,614	288,750
Administration	1,001,812	1,046,812	1,003,470	43,342	1,028,010
Municipal building	84,000	84,500	84,222	278	81,682
Cemetery	5,000	5,000	5,000	-0-	5,000
Other	19,360	19,360	19,360	-0-	19,360
Total general government	1,431,218	1,476,718	1,416,484	60,234	1,420,802
Public safety					
Police department	1,067,934	1,092,934	1,098,527	(5,593)	1,083,510
Fire department	231,775	251,775	237,133	14,642	253,953
Total public safety	1,299,709	1,344,709	1,335,660	9,049	1,337,463
Public works					
Department of public works	334,878	334,878	309,685	25,193	260,512
Community and economic development					
Housing administration	2,000	2,000	611	1,389	1,296
Rental rehabilitation	192,925	200,925	199,220	1,705	336,986
Total community and economic development	194,925	202,925	199,831	3,094	338,282
Recreation and cultural					
Recreation department	138,851	138,851	119,770	19,081	119,436
City parks	124,552	124,552	104,174	20,378	119,372
Total recreation and cultural	263,403	263,403	223,944	39,459	238,808
Debt service					
Principal	27,244	27,244	114,639	(87,395)	140,378
Interest	-	-	27,094	(27,094)	30,885
Total debt service	27,244	27,244	141,733	(114,489)	171,263
Capital outlay	34,941	51,941	39,575	12,366	35,158
TOTAL EXPENDITURES	3,586,318	3,701,818	3,666,912	34,906	3,802,288

City of St. Johns

General Fund

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONCLUDED

Year Ended June 30, 2008
With Actual Amounts for Year Ended June 30, 2007

	Original Budget	Final Amended Budget	2008 Actual	Variance with Final Budget Positive (Negative)	2007 Actual
EXCESS OF REVENUES OVER EXPENDITURES	\$ 419,545	\$ 368,045	\$ 526,101	\$ 158,056	\$ 668,184
OTHER FINANCING USES					
Transfers out	(440,545)	(440,545)	(439,900)	645	(437,383)
NET CHANGE IN FUND BALANCE	(21,000)	(72,500)	86,201	158,701	230,801
Fund balance, beginning of year	1,351,532	1,351,532	1,351,532	-0-	1,120,731
Fund balance, end of year	<u>\$ 1,330,532</u>	<u>\$ 1,279,032</u>	<u>\$ 1,437,733</u>	<u>\$ 158,701</u>	<u>\$ 1,351,532</u>

City of St. Johns

Garbage Fund

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property tax levy	\$ 97,716	\$ 97,716	\$ 107,942	\$ 10,226
Charges for services	597,960	597,960	608,934	10,974
Interest	14,000	14,000	12,944	(1,056)
Other	-	-	57	57
TOTAL REVENUES	709,676	709,676	729,877	20,201
EXPENDITURES				
Public works	692,677	692,677	624,429	68,248
NET CHANGE IN FUND BALANCE	16,999	16,999	105,448	88,449
Fund balance, beginning of year	136,984	136,984	136,984	-0-
Fund balance, end of year	<u>\$ 153,983</u>	<u>\$ 153,983</u>	<u>\$ 242,432</u>	<u>\$ 88,449</u>

OTHER SUPPLEMENTARY INFORMATION

**Nonmajor Governmental Funds
Fund Descriptions**

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to record the expenditures associated with specific revenues that are legally restricted for specific purposes.

Major Street - The Major Street fund accounts for revenues received from the State of Michigan for the City's share of State gasoline and weight taxes, which is used for maintenance of major streets.

Local Street - The Local Street fund accounts for revenues received from the State of Michigan for the City's share of State gasoline and weight taxes, which is used for maintenance of local streets.

Library - This fund accounts for all revenues received by the City for the operation and maintenance of the public library. Financing is provided primarily by an annual property tax levy, penal fines distributed by the county, and through donations.

Drug Law Enforcement - This fund accounts for all revenues received by the City for drug forfeiture activities, which finance the City drug law enforcement program activities and related public safety activities.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources and payment general obligation bond principal and interest from governmental resources.

1991 Michigan Transportation Fund Bonds - This fund accounts for the payment of the 1991 Michigan Transportation Fund Bonds related to local streets.

1997 Library Building Authority Fund Bonds - This fund is used to account for payment of principal and interest of bonds related to the Library Facility. Funding is set aside from the Library Fund's operating revenue and designated in the Library Fund fund balance.

1998 Michigan Transportation Fund Bonds - This fund accounts for the payment of the 1998 Michigan Transportation Fund Bonds related to major and local streets.

1998 Courthouse Building Authority Fund Bonds - This fund is used to account for payment of principal and interest of bonds related to the Courthouse project. Funding is set aside from the General Fund's operating revenue.

2001 Walker Road General Obligation Bonds - This fund is used to account for payment of principal and interest of bonds related to the Walker Road project. Funding is set aside from the General Fund's operating revenue.

2001 Walker Road Special Assessment Bonds - This fund is used to account for payment of principal and interest of special assessment debt related to the Walker Road project.

2003 Michigan Transportation Fund Bonds - This fund accounts for the payment of the 2003 Michigan Transportation Fund Bonds related to major streets.

2004 Capital Improvement Bonds - This fund is used to account for the payment of principal and interest of bonds related to the 2004 Capital Improvement Fund.

2007 Capital Improvement Bonds - This fund is used to account for the payment of principal and interest of bonds related to the 2007 Capital Improvement Fund.

CAPITAL PROJECTS FUNDS

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by proprietary funds. Capital projects are funded primarily by general obligation bonds.

Fantasy Forest - This fund accounts for funds received and expended for the construction of a city owned playground structure.

Capital Improvement - This fund accounts for funds received and expended for capital improvement to the City's streetscape.

Revolving Special Assessment - This fund accounts for small capital projects that are repaid through assessments to residents. Costs and repayment of projects are monitored through this fund.

City of St. Johns
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
June 30, 2008

	Special Revenue		
	Major Street	Local Street	Library
ASSETS			
Cash and cash equivalents	\$ 291,240	\$ 165,255	\$ 621,922
Accounts receivable	1,176	-	-
Special assessment receivable	-	-	-
Due from other governmental units	58,478	22,944	128,195
Prepays	-	-	2,030
TOTAL ASSETS	\$ 350,894	\$ 188,199	\$ 752,147
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,952	\$ 690	\$ 5,766
Salaries payable	4,748	2,511	8,433
Deferred revenue	-	-	-
TOTAL LIABILITIES	6,700	3,201	14,199
FUND BALANCES			
Reserved for			
Prepays	-	-	2,030
Debt service	-	-	-
Unreserved			
Designated for debt service, reported in Special revenue funds	-	-	425,375
Designated for capital projects, reported in Capital projects funds	-	-	-
Undesignated, reported in Special revenue funds	344,194	184,998	310,543
TOTAL FUND BALANCES	344,194	184,998	737,948
TOTAL LIABILITIES AND FUND BALANCES	\$ 350,894	\$ 188,199	\$ 752,147

Funds		Debt Service Funds - Continued				
Drug Law Enforcement	1991 Michigan Transportation Fund Bonds	1997 Library Bldg. Authority Fund Bonds	1998 Michigan Transportation Fund Bonds	1998 Courthouse Bldg. Authority Fund Bonds	2001 Walker Road GO Bonds	
\$ 2,460	\$ 175	\$ 130,836	\$ -	\$ -	\$ -	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
<u>\$ 2,460</u>	<u>\$ 175</u>	<u>\$ 130,836</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	-	-	
-	-	-	-	-	-	
-0-	-0-	-0-	-0-	-0-	-0-	
-	-	-	-	-	-	
-	175	130,836	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
2,460	-	-	-	-	-	
<u>2,460</u>	<u>175</u>	<u>130,836</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	
\$ 2,460	\$ 175	\$ 130,836	\$ -0-	\$ -0-	\$ -0-	

CONTINUED

City of St. Johns

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONCLUDED

June 30, 2008

	Debt Service Funds		
	2001 Walker Road Special Assessment Bonds	2003 Michigan Transportation Fund Bonds	2004 Capital Improvement Bonds
ASSETS			
Cash and cash equivalents	\$ 8,209	\$ 102	\$ -
Accounts receivable	-	-	-
Special assessment receivable	47,352	-	281,218
Due from other governmental units	-	-	-
Prepays	-	-	-
TOTAL ASSETS	\$ 55,561	\$ 102	\$ 281,218
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Salaries payable	-	-	-
Deferred revenue	47,352	-	281,218
TOTAL LIABILITIES	47,352	-0-	281,218
FUND BALANCES			
Reserved for			
Prepays	-	-	-
Debt service	8,209	102	-
Unreserved			
Designated for debt service, reported in Special revenue funds	-	-	-
Designated for capital projects, reported in Capital projects funds	-	-	-
Undesignated, reported in Special revenue funds	-	-	-
TOTAL FUND BALANCES	8,209	102	-0-
TOTAL LIABILITIES AND FUND BALANCES	\$ 55,561	\$ 102	\$ 281,218

- Concluded	Capital Projects Funds			
2007 Capital Improvement Bonds	Fantasy Forest	Capital Improvement	Revolving Special Assessment	Total Nonmajor Governmental Funds
\$ -	\$ 11,676	\$ 39,086	\$ 5,079	\$ 1,276,040
-	-	-	-	1,176
-	-	-	14,001	342,571
-	-	-	-	209,617
-	-	-	-	2,030
<u>\$ -0-</u>	<u>\$ 11,676</u>	<u>\$ 39,086</u>	<u>\$ 19,080</u>	<u>\$ 1,831,434</u>
\$ -	\$ -	\$ -	\$ -	\$ 8,408
-	-	-	-	15,692
-	-	-	14,001	342,571
-0-	-0-	-0-	14,001	366,671
-	-	-	-	2,030
-	-	-	-	139,322
-	-	-	-	425,375
-	11,676	39,086	5,079	55,841
-	-	-	-	842,195
<u>-0-</u>	<u>11,676</u>	<u>39,086</u>	<u>5,079</u>	<u>1,464,763</u>
<u>\$ -0-</u>	<u>\$ 11,676</u>	<u>\$ 39,086</u>	<u>\$ 19,080</u>	<u>\$ 1,831,434</u>

City of St. Johns

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	Special Revenue		
	Major Street	Local Street	Library
REVENUES			
Property taxes	\$ -	\$ -	\$ 205,103
Intergovernmental			
State	357,067	140,020	11,875
Local	-	-	59,666
Charges for services	-	-	12,233
Fines and forfeits	-	-	122,225
Interest and rents	13,030	974	27,125
Other	2,396	2,922	27,744
TOTAL REVENUES	372,493	143,916	465,971
EXPENDITURES			
Current			
General government	-	-	-
Public works	328,247	266,170	-
Recreation and cultural	-	-	398,627
Capital outlay	-	-	9,236
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	328,247	266,170	407,863
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	44,246	(122,254)	58,108
OTHER FINANCING SOURCES (USES)			
Transfers in	91,000	287,000	-
Transfers out	(253,381)	-	(59,725)
TOTAL OTHER FINANCING SOURCES (USES)	(162,381)	287,000	(59,725)
NET CHANGE IN FUND BALANCES	(118,135)	164,746	(1,617)
Fund balances, beginning of year	462,329	20,252	739,565
Fund balances, end of year	\$ 344,194	\$ 184,998	\$ 737,948

Funds	Debt Service Funds - Continued				
	1991 Michigan Transportation Fund Bonds	1997 Library Bldg. Authority Fund Bonds	1998 Michigan Transportation Fund Bonds	1998 Courthouse Bldg. Authority Fund Bonds	2001 Walker Road GO Bonds
Drug Law Enforcement					
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	15,532
-	-	-	-	-	-
-	-	-	-	-	-
83	6	3,117	-	-	436
436	-	-	-	-	-
519	6	3,117	-0-	-0-	15,968
-	-	204	-	-	150
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	35,000	30,000	60,000	25,000
-	-	25,025	8,880	42,519	5,050
-0-	-0-	60,229	38,880	102,519	30,200
519	6	(57,112)	(38,880)	(102,519)	(14,232)
-	-	59,725	38,880	96,278	-
-	-	-	-	-	-
-0-	-0-	59,725	38,880	96,278	-0-
519	6	2,613	-0-	(6,241)	(14,232)
1,941	169	128,223	-	6,241	14,232
\$ 2,460	\$ 175	\$ 130,836	\$ -0-	\$ -0-	\$ -0-

CONTINUED

City of St. Johns

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONCLUDED

Year Ended June 30, 2008

	Debt Service Funds		
	2001 Walker Road Special Assessment Bonds	2003 Michigan Transportation Fund Bonds	2004 Capital Improvement Bonds
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental			
State	-	-	-
Local	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	4,037	-	-
Other	16,855	-	55,119
TOTAL REVENUES	20,892	-0-	55,119
EXPENDITURES			
Current			
General government	166	-	-
Public works	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service			
Principal retirement	20,000	15,000	70,000
Interest and fiscal charges	3,050	17,801	21,785
TOTAL EXPENDITURES	23,216	32,801	91,785
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,324)	(32,801)	(36,666)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	32,801	36,666
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	32,801	36,666
NET CHANGE IN FUND BALANCES	(2,324)	-0-	-0-
Fund balances, beginning of year	10,533	102	-
Fund balances, end of year	<u>\$ 8,209</u>	<u>\$ 102</u>	<u>\$ -0-</u>

- Concluded	Capital Projects Funds				
2007 Capital Improvement Bonds	Fantasy Forest	Capital Improvement	Revolving Special Assessment	Total Nonmajor Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ 205,103	
-	-	-	-	508,962	
-	-	-	-	75,198	
-	-	-	-	12,233	
-	-	-	-	122,225	
-	69	243	1,004	50,124	
-	-	-	1,750	107,222	
-0-	69	243	2,754	1,081,067	
-	-	-	-	520	
-	-	-	-	594,417	
-	-	-	-	398,627	
-	-	1,918	-	11,154	
70,000	-	-	-	325,000	
68,513	-	-	-	192,623	
138,513	-0-	1,918	-0-	1,522,341	
(138,513)	69	(1,675)	2,754	(441,274)	
138,513	-	-	-	780,863	
-	-	-	-	(313,106)	
138,513	-0-	-0-	-0-	467,757	
-0-	69	(1,675)	2,754	26,483	
-	11,607	40,761	2,325	1,438,280	
\$ -0-	\$ 11,676	\$ 39,086	\$ 5,079	\$ 1,464,763	

City of St. Johns

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended June 30, 2008

Major Street Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental				
State gas and weight tax	\$ 356,229	\$ 356,229	\$ 357,067	\$ 838
Interest	12,600	12,600	13,030	430
Other	-	-	2,396	2,396
TOTAL REVENUES	368,829	368,829	372,493	3,664
EXPENDITURES				
Public works				
Highway and streets				
Administrative	36,394	36,394	37,275	(881)
Street maintenance	227,022	227,022	220,065	6,957
Traffic service maintenance	15,514	15,514	15,045	469
Winter maintenance	52,398	52,398	55,862	(3,464)
TOTAL EXPENDITURES	331,328	331,328	328,247	3,081
EXCESS OF REVENUES OVER EXPENDITURES	37,501	37,501	44,246	6,745
OTHER FINANCING SOURCES (USES)				
Transfers in	41,000	91,000	91,000	-0-
Transfers out	(166,681)	(253,681)	(253,381)	300
TOTAL OTHER FINANCING SOURCES (USES)	(125,681)	(162,681)	(162,381)	300
NET CHANGE IN FUND BALANCE	(88,180)	(125,180)	(118,135)	7,045
Fund balance, beginning of year	462,329	462,329	462,329	-0-
Fund balance, end of year	<u>\$ 374,149</u>	<u>\$ 337,149</u>	<u>\$ 344,194</u>	<u>\$ 7,045</u>

City of St. Johns

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2008

Local Street Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental				
State gas and weight tax	\$ 153,248	\$ 153,248	\$ 140,020	\$ (13,228)
Interest	1,800	1,800	974	(826)
Other	-	-	2,922	2,922
TOTAL REVENUES	155,048	155,048	143,916	(11,132)
EXPENDITURES				
Public works				
Highways and streets				
Administrative	21,424	25,424	26,798	(1,374)
Street maintenance	127,250	203,250	193,202	10,048
Traffic service maintenance	5,549	6,949	5,994	955
Winter maintenance	30,786	36,786	40,176	(3,390)
TOTAL EXPENDITURES	185,009	272,409	266,170	6,239
EXCESS OF REVENUES (UNDER) EXPENDITURES	(29,961)	(117,361)	(122,254)	(4,893)
OTHER FINANCING SOURCES				
Transfers in	250,000	287,000	287,000	-0-
NET CHANGE IN FUND BALANCE	220,039	169,639	164,746	(4,893)
Fund balance, beginning of year	20,252	20,252	20,252	-0-
Fund balance, end of year	<u>\$ 240,291</u>	<u>\$ 189,891</u>	<u>\$ 184,998</u>	<u>\$ (4,893)</u>

City of St. Johns

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2008

Library Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property tax levy	\$ 204,300	\$ 204,300	\$ 205,103	\$ 803
Intergovernmental				
State aid to libraries	13,059	11,808	11,875	67
Township contributions	52,289	52,289	59,666	7,377
Charges for services				
Photostat services	1,750	1,750	1,642	(108)
Rentals and fees	10,515	10,515	10,591	76
Penal fines	128,520	128,520	122,225	(6,295)
Interest	23,500	23,500	27,125	3,625
Other				
Donations	13,775	13,775	27,441	13,666
Miscellaneous	175	175	303	128
TOTAL REVENUES	447,883	446,632	465,971	19,339
EXPENDITURES				
Recreation and cultural				
Library operations	435,383	440,017	398,627	41,390
Capital outlay	12,500	12,000	9,236	2,764
TOTAL EXPENDITURES	447,883	452,017	407,863	44,154
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	(5,385)	58,108	63,493
OTHER FINANCING USES				
Transfers out	(59,725)	(59,725)	(59,725)	-0-
NET CHANGE IN FUND BALANCE	(59,725)	(65,110)	(1,617)	63,493
Fund balance, beginning of year	739,565	739,565	739,565	38,130
Fund balance, end of year	<u>\$ 679,840</u>	<u>\$ 674,455</u>	<u>\$ 737,948</u>	<u>\$ 101,623</u>

City of St. Johns

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONCLUDED

Year Ended June 30, 2008

Drug Law Enforcement

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest	\$ -	\$ 100	\$ 83	\$ (17)
Other	-	-	436	436
TOTAL REVENUES	-0-	100	519	419
EXPENDITURES	-	-	-	-0-
NET CHANGE IN FUND BALANCE	-0-	100	519	419
Fund balance, beginning of year	1,941	1,941	1,941	-0-
Fund balance, end of year	<u>\$ 1,941</u>	<u>\$ 2,041</u>	<u>\$ 2,460</u>	<u>\$ 419</u>

**Fiduciary Fund
Fund Description**

Fiduciary Funds account for assets held by the City in a trustee or agency capacity for individuals, private organization, other governmental units and/or other funds.

Current Tax Collections - This fund accounts for current tax collections. All current tax monies collected by the City are receipted into this fund and later distributed to other funds or other governmental units.

City of St. Johns

Fiduciary Fund

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended June 30, 2008

Current Tax Collections

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
ASSETS				
Cash and cash equivalents	\$ 514	\$ 9,563,658	\$ (9,563,487)	\$ 685
Due from other governmental units	-	676	-	676
TOTAL ASSETS	<u>\$ 514</u>	<u>\$ 9,564,334</u>	<u>\$ (9,563,487)</u>	<u>\$ 1,361</u>
LIABILITIES				
Accounts payable	\$ -	\$ 6,010,467	\$ (6,010,467)	\$ -0-
Due to other funds				
General Fund	-	2,476,717	(2,476,717)	-0-
Garbage Fund	-	543,510	(543,510)	-0-
Library Fund	-	220,688	(220,688)	-0-
Capital Improvement Debt Service	-	48,444	(48,444)	-0-
Due to other governmental units				
Principal Shopping District	-	23,773	(23,773)	-0-
St. Johns Public Schools		2,820,456	(2,820,456)	-0-
Clinton County Regional Educational Service Agency		759,568	(759,568)	-0-
Clinton Area Transit System		50,927	(50,927)	-0-
Clinton County	510	2,597,552	(2,597,557)	505
State of Michigan	-	9,628	(9,628)	-0-
Due to individuals and agencies	4	22,458	(21,606)	856
TOTAL LIABILITIES	<u>\$ 514</u>	<u>\$ 15,584,188</u>	<u>\$ (15,583,341)</u>	<u>\$ 1,361</u>

City of St. Johns
Component Unit Funds
COMBINING BALANCE SHEET
June 30, 2008

	Principal Shopping District	Local Development Finance Authority	Total Component Units
ASSETS			
Cash and cash equivalents	\$ 13,905	\$ 49,614	\$ 63,519
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,604	\$ -	\$ 2,604
Due to other governmental units	200	-	200
TOTAL LIABILITIES	2,804	-0-	2,804
FUND BALANCES			
Unreserved, undesignated	11,101	49,614	60,715
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,905	\$ 49,614	\$ 63,519

Note: Reconciliations of the component unit governmental funds balance sheet to the statement of net assets for the component units are not required as the component units' fund balances were equal to the component units' net assets as of June 30, 2008.

City of St. Johns

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	Principal Shopping District	Local Development Finance Authority	Total Component Units
REVENUES			
Taxes	\$ -	\$ 171,631	\$ 171,631
Intergovernmental	10,330	-	10,330
Interest and rents	683	189	872
Other revenue	61,409	-	61,409
TOTAL REVENUES	72,422	171,820	244,242
EXPENDITURES			
Community and economic development	61,397	173,872	235,269
NET CHANGE IN FUND BALANCES	11,025	(2,052)	8,973
Fund balances, beginning of year	76	51,666	51,742
Fund balances, end of year	<u>\$ 11,101</u>	<u>\$ 49,614</u>	<u>\$ 60,715</u>

Note: Reconciliations of the statement of revenues, expenditures, and changes in fund balances of the component units governmental funds to the statement of activities for the component units are not required as the net change in fund balances of the component unit governmental funds was equal to the change in net assets of the component units for the year ended June 30, 2008.

City of St. Johns

Capital Assets Used in the Operation of Governmental Funds

COMPARATIVE SCHEDULE BY SOURCE⁽¹⁾

June 30, 2008 and 2007

	2008	2007
Governmental funds capital assets:		
Land	\$ 1,006,450	\$ 1,006,450
Construction in progress	213,565	-
Land improvements	1,136,503	1,045,651
Buildings and improvements	3,037,571	2,887,486
Furniture and other assets	898,995	860,655
Drain flowage rights	30,623	30,623
Infrastructure	8,284,039	8,208,296
Total governmental funds capital assets	<u>\$ 14,607,746</u>	<u>\$ 14,039,161</u>
Investment in governmental fund capital assets by source:		
General Fund	\$ 4,449,464	\$ 4,439,116
Special Revenue Funds	10,158,282	9,600,045
Total governmental funds capital assets	<u>\$ 14,607,746</u>	<u>\$ 14,039,161</u>

⁽¹⁾ This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of St. Johns

Capital Assets Used in the Operation of Governmental Funds

SCHEDULE BY FUNCTION AND ACTIVITY⁽¹⁾

Year Ended June 30, 2008

Function and Activity	Land	Construction in Progress	Land Improvements	Buildings and Improvements	Furniture and Other Assets	Drain Flowage Rights	Infrastructure	Total
General government Administration	\$ 868,450	\$ -	\$ 260,833	\$ 1,798,337	\$ 73,714	\$ -	\$ -	\$ 3,001,334
Public safety								
Police department	-	-	-	102,566	-	-	-	102,566
Fire department	-	-	-	152,249	10,448	-	-	162,697
Total public safety	-0-	-0-	-0-	254,815	10,448	-0-	-0-	265,263
Public works								
Department of public works	-	-	698,851	249,639	17,800	30,623	-	996,913
Highway and streets	-	213,565	-	-	-	-	8,284,039	8,497,604
Total public works	-0-	213,565	698,851	249,639	17,800	30,623	8,284,039	9,494,517
Recreation and cultural								
Library	-	-	-	734,780	797,033	-	-	1,531,813
Parks and recreation	138,000	-	176,819	-	-	-	-	314,819
Total recreation and cultural	138,000	-0-	176,819	734,780	797,033	-0-	-0-	1,846,632
Total governmental funds capital assets	\$ 1,006,450	\$ 213,565	\$ 1,136,503	\$ 3,037,571	\$ 898,995	\$ 30,623	\$ 8,284,039	\$ 14,607,746

⁽¹⁾ This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of St. Johns

Capital Assets Used in the Operation of Governmental Funds

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY⁽¹⁾

Year Ended June 30, 2008

Function and Activity	Governmental Funds Capital Assets July 1, 2007	Additions	Deductions	Governmental Funds Capital Assets June 30, 2008
General government				
Administration	\$ 2,970,325	\$ 31,009	\$ -	\$ 3,001,334
Public safety				
Police department	102,566	-	-	102,566
Fire department	162,697	-	-	162,697
Total public safety	265,263	-0-	-0-	265,263
Public works				
Department of public works	830,977	165,936	-	996,913
Highway and streets	8,208,296	289,308	-	8,497,604
Total public works	9,039,273	455,244	-0-	9,494,517
Recreation and cultural				
Library	1,503,821	27,992	-	1,531,813
Parks and recreation	260,479	54,340	-	314,819
Total recreation and cultural	1,764,300	82,332	-0-	1,846,632
Total governmental funds capital assets	<u>\$ 14,039,161</u>	<u>\$ 568,585</u>	<u>\$ -0-</u>	<u>\$ 14,607,746</u>

⁽¹⁾ This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**STATISTICAL SECTION
(UNAUDITED)**

City of St. Johns

Statistical Section Description

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	60-69
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant revenue sources.</i>	70-76
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.</i>	77-83
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	84-85
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	86-91

City of St. Johns

NET ASSETS BY COMPONENT

2004-2008
(Unaudited)

	Fiscal			
	2004	2005	2006	2007
Governmental activities				
Invested in capital assets, net of related debt	\$ 4,100,144	\$ 3,471,291	\$ 4,637,235	\$ 3,634,022
Restricted	1,064,154	1,743,340	1,311,895	2,428,436
Unrestricted	1,487,475	1,928,414	2,474,257	2,729,324
Total governmental activities net assets	<u>\$ 6,651,773</u>	<u>\$ 7,143,045</u>	<u>\$ 8,423,387</u>	<u>\$ 8,791,782</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 4,364,978	\$ 5,197,390	\$ 5,918,021	\$ 6,069,901
Restricted	3,556,926	2,312,947	962,533	963,716
Unrestricted	1,539,406	2,098,775	3,014,149	3,025,743
Total business-type activities net assets	<u>\$ 9,461,310</u>	<u>\$ 9,609,112</u>	<u>\$ 9,894,703</u>	<u>\$ 10,059,360</u>
Primary government				
Invested in capital assets, net of related debt	\$ 8,465,122	\$ 8,668,681	\$ 10,555,256	\$ 9,703,923
Restricted	4,621,080	4,056,287	2,274,428	3,392,152
Unrestricted	3,026,881	4,027,189	5,488,406	5,755,067
Total primary government net assets	<u>\$ 16,113,083</u>	<u>\$ 16,752,157</u>	<u>\$ 18,318,090</u>	<u>\$ 18,851,142</u>

Notes:

(1) Source: City of St. Johns Basic Financial Statements.

(2) The City implemented the reporting requirements of GASB Statement 34 in fiscal year 2004. Net asset information for periods prior to implementation is not readily available.

Year	
2008	
\$	4,097,761
	2,074,395
	<u>2,866,252</u>
\$	<u>9,038,408</u>
\$	5,705,983
	1,275,119
	<u>3,272,226</u>
\$	<u>10,253,328</u>
\$	9,803,744
	3,349,514
	<u>6,138,478</u>
\$	<u>19,291,736</u>

City of St. Johns

CHANGES IN NET ASSETS

2004-2008
(Unaudited)

	Fiscal			
	2004	2005	2006	2007
Expenses				
Governmental activities				
General government	\$ 1,330,958	\$ 1,247,137	\$ 1,352,404	\$ 1,727,638
Public safety	1,296,983	1,297,220	1,354,706	1,347,380
Public works	1,392,076	1,521,734	1,469,984	1,521,204
Community and economic development	500	-	169,519	338,282
Recreation and cultural	622,160	625,893	700,872	694,729
Interest on long-term debt	184,795	157,026	185,898	166,245
Total governmental activities expenses	<u>4,827,472</u>	<u>4,849,010</u>	<u>5,233,383</u>	<u>5,795,478</u>
Business-type activities				
Water and sewer	<u>2,397,067</u>	<u>2,615,385</u>	<u>2,674,412</u>	<u>2,740,741</u>
Total primary government expenses	<u>\$ 7,224,539</u>	<u>\$ 7,464,395</u>	<u>\$ 7,907,795</u>	<u>\$ 8,536,219</u>
Revenues				
Governmental activities				
Charges for services				
Refuse collection	\$ 489,720	\$ 464,440	\$ 483,052	\$ 496,902
Other public works	289,220	349,645	408,645	422,395
Other activities	216,397	347,504	389,237	427,662
Operating grants and contributions	299,044	747,102	917,352	1,138,860
Capital grants and contributions	<u>17,667</u>	<u>123,111</u>	<u>1,213,548</u>	<u>171,594</u>
Total governmental activities program revenues	<u>1,312,048</u>	<u>2,031,802</u>	<u>3,411,834</u>	<u>2,657,413</u>
Business-type activities				
Charges for services				
Water and sewer	2,205,547	2,649,811	2,790,029	2,702,695
Other activities	5,000	5,000	5,000	5,000
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>14,898</u>	<u>14,898</u>
Total business-type activities program revenues	<u>2,210,547</u>	<u>2,654,811</u>	<u>2,809,927</u>	<u>2,722,593</u>
Total primary government program revenues	<u>\$ 3,522,595</u>	<u>\$ 4,686,613</u>	<u>\$ 6,221,761</u>	<u>\$ 5,380,006</u>
Net (Expenses) Revenue				
Governmental activities	<u>\$(3,515,424)</u>	<u>\$(2,817,208)</u>	<u>\$(1,821,549)</u>	<u>\$ (3,138,065)</u>
Business-type activities	<u>(186,520)</u>	<u>39,426</u>	<u>135,515</u>	<u>(18,148)</u>
Total primary government net (expense) revenue	<u><u>\$(3,701,944)</u></u>	<u><u>\$(2,777,782)</u></u>	<u><u>\$(1,686,034)</u></u>	<u><u>\$ (3,156,213)</u></u>

<u>Year</u>
<u>2008</u>

\$ 1,266,220
1,393,472
2,044,475
199,831
664,897
<u>224,081</u>

<u>5,792,976</u>

<u>2,895,051</u>

<u><u>\$ 8,688,027</u></u>

\$ 608,934
439,296
421,460
967,710
<u>143,766</u>

<u>2,581,166</u>

2,853,672
5,000
<u>14,898</u>

<u>2,873,570</u>

<u><u>\$ 5,454,736</u></u>

\$ (3,211,810)
<u>(21,481)</u>

<u><u>\$ (3,233,291)</u></u>

CONTINUED

City of St. Johns

CHANGES IN NET ASSETS - CONCLUDED

2004-2008
(Unaudited)

	Fiscal			
	2004	2005	2006	2007
General Revenues				
Governmental activities				
Taxes	\$ 2,016,384	\$ 2,024,846	\$ 2,124,466	\$ 2,216,216
State shared revenue	1,290,758	753,763	747,033	738,444
Investment earnings	27,385	72,067	128,036	204,641
Gain (loss) on sale of capital assets	-	230,790	(99,061)	181,236
Miscellaneous	280,938	227,014	201,417	165,923
Transfers	-	-	-	-
Total governmental activities general revenues	<u>3,615,465</u>	<u>3,308,480</u>	<u>3,101,891</u>	<u>3,506,460</u>
Business-type activities				
Investment earnings	48,855	64,703	118,623	134,692
Miscellaneous	32,389	43,673	31,453	48,113
Transfers	-	-	-	-
Total business-type activities general revenues	<u>81,244</u>	<u>108,376</u>	<u>150,076</u>	<u>182,805</u>
Total primary government general revenues	<u>\$ 3,696,709</u>	<u>\$ 3,416,856</u>	<u>\$ 3,251,967</u>	<u>\$ 3,689,265</u>
Change in Net Assets				
Governmental activities	100,041	491,272	1,280,342	368,395
Business-type activities	(105,276)	147,802	285,591	164,657
Total primary government	<u>\$ (5,235)</u>	<u>\$ 639,074</u>	<u>\$ 1,565,933</u>	<u>\$ 533,052</u>

Notes:

(1) Source: City of St. Johns Basic Financial Statements.

(2) The City implemented the reporting requirements of GASB Statement 34 in fiscal year 2004. Net asset information for periods prior to implementation is not readily available.

<u>Year</u>
<u>2008</u>

\$ 2,355,955
721,434
214,681
-
138,509
<u>27,857</u>

<u>3,458,436</u>

200,965
42,341
<u>(27,857)</u>

<u>215,449</u>

<u>\$ 3,673,885</u>

246,626
<u>193,968</u>

<u>\$ 440,594</u>

City of St. Johns

FUND BALANCES

GOVERNMENTAL FUNDS

1999-2008
(Unaudited)

	Fiscal			
	1999	2000	2001	2002
General Fund				
Reserved	\$ 24,035	\$ 20,348	\$ 87,748	\$ 36,594
Unreserved	656,122	593,415	295,765	317,273
Total General Fund	<u>\$ 680,157</u>	<u>\$ 613,763</u>	<u>\$ 383,513</u>	<u>\$ 353,867</u>
All other governmental funds				
Reserved	\$ 85,907	\$ 94,247	\$ 146,843	\$ 190,331
Unreserved, reported in:				
Special revenue funds	929,276	898,252	984,702	1,137,047
Capital projects funds	1,019,971	107,078	21,798	141,614
Total all other governmental funds	<u>\$ 2,035,154</u>	<u>\$ 1,099,577</u>	<u>\$ 1,153,343</u>	<u>\$ 1,468,992</u>

Notes:

(1) Source: City of St. Johns Basic Financial Statements.

Year					
2003	2004	2005	2006	2007	2008
\$ 45,402	\$ 52,854	\$ 61,489	\$ 63,146	\$ 2,930	\$ 6,425
187,493	308,085	805,244	1,057,585	1,348,602	1,431,308
<u>\$ 232,895</u>	<u>\$ 360,939</u>	<u>\$ 866,733</u>	<u>\$ 1,120,731</u>	<u>\$ 1,351,532</u>	<u>\$ 1,437,733</u>
\$ 276,260	\$ 137,641	\$ 226,858	\$ 187,500	\$ 161,530	\$ 141,352
1,255,329	1,489,062	1,548,443	1,568,856	1,359,041	1,510,002
141,870	565,720	1,047,972	562,371	1,853,534	1,465,298
<u>\$ 1,673,459</u>	<u>\$ 2,192,423</u>	<u>\$ 2,823,273</u>	<u>\$ 2,318,727</u>	<u>\$ 3,374,105</u>	<u>\$ 3,116,652</u>

City of St. Johns

CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

1999-2008
(Unaudited)

	Fiscal			
	1999	2000	2001	2002
Revenues				
Taxes	\$ 1,720,717	\$ 1,781,806	\$ 1,816,779	\$ 2,005,281
Licenses and permits	9,570	12,465	12,326	11,275
Intergovernmental	1,565,969	1,455,270	1,433,035	2,016,909
Charges for services	696,268	804,132	818,748	769,332
Fines and forfeits	157,796	171,510	160,411	164,252
Interest and rents	169,596	186,213	131,179	105,857
Other revenue	181,629	216,820	256,278	180,570
Total revenues	4,501,545	4,628,216	4,628,756	5,253,476
Expenditures				
General government	1,038,837	1,219,338	1,273,042	1,232,539
Public safety	1,107,747	1,204,300	1,220,886	1,206,691
Public works	715,458	1,038,552	866,763	821,172
Community and economic development	-	-	500	500
Recreation and cultural	437,313	483,802	497,454	545,636
Capital outlay	1,264,884	1,443,234	379,081	916,689
Debt service				
Principal	303,256	358,593	373,102	477,906
Interest and fiscal charges	188,268	212,378	194,412	177,190
Total expenditures	5,055,763	5,960,197	4,805,240	5,378,323
Excess of revenues over (under) expenditures	(554,218)	(1,331,981)	(176,484)	(124,847)
Other financing sources (uses)				
Proceeds from borrowing	1,400,000	330,010	-	410,850
Bond discount and issuance costs	(71,351)	-	-	-
Transfers in	544,092	503,884	442,888	256,674
Transfers out	(536,062)	(503,884)	(442,888)	(256,674)
Total other financing sources (uses)	1,336,679	330,010	-0-	410,850
Net change in fund balances	\$ 782,461	\$ (1,001,971)	\$ (176,484)	\$ 286,003
Debt service as a percentage of noncapital expenditures	10.0%	10.5%	12.5%	13.0%

Notes:

(1) Source: City of St. Johns Basic Financial Statements.

Year					
2003	2004	2005	2006	2007	2008
\$ 2,074,328	\$ 2,016,384	\$ 2,106,312	\$ 2,210,813	\$ 2,306,035	\$ 2,451,617
34,138	39,577	70,685	104,906	145,110	136,133
1,513,136	1,468,319	1,534,744	2,357,397	1,883,561	1,689,436
793,006	878,152	917,293	1,021,591	1,041,886	1,175,602
155,745	176,994	181,359	170,812	171,257	160,515
79,414	53,898	97,223	147,472	223,598	232,447
1,245,667	323,423	535,449	939,221	431,560	224,771
5,895,434	4,956,747	5,443,065	6,952,212	6,203,007	6,070,521
1,538,869	1,193,672	1,311,755	1,377,835	1,421,149	1,417,004
1,248,541	1,289,947	1,291,443	1,346,664	1,337,463	1,335,660
794,489	1,038,283	1,194,028	1,296,306	1,848,956	1,528,531
1,000	500	-	169,519	338,282	199,831
553,351	598,759	578,491	649,392	642,287	622,571
1,665,375	638,563	215,070	1,826,897	609,209	506,677
407,009	548,373	269,177	356,128	380,378	439,639
172,541	162,642	181,457	180,019	164,719	219,717
6,381,175	5,470,739	5,041,421	7,202,760	6,742,443	6,269,630
(485,741)	(513,992)	401,644	(250,548)	(539,436)	(199,109)
569,236	1,161,000	735,000	-	1,850,000	-
-	-	-	-	(24,385)	-
477,973	290,672	424,301	314,907	658,193	780,863
(477,973)	(290,672)	(424,301)	(314,907)	(658,193)	(753,006)
569,236	1,161,000	735,000	-0-	1,825,615	27,857
\$ 83,495	\$ 647,008	\$ 1,136,644	\$ (250,548)	\$ 1,286,179	\$ (171,252)
9.9%	14.5%	9.4%	10.3%	9.8%	11.6%

City of St. Johns

ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY

1999-2008
(Unaudited)

Fiscal Year	Property			
	Residential	Commercial	Industrial	Developmental
1999	\$ 98,032,000	\$ 19,603,800	\$ 23,897,000	\$ 251,400
2000	108,633,900	26,445,900	22,980,900	493,200
2001	119,994,500	28,268,900	23,783,400	609,900
2002	130,868,700	27,739,200	27,529,600	758,900
2003	138,045,900	29,222,000	31,476,300	553,900
2004	148,830,500	32,918,800	36,738,248	448,600
2005	161,398,700	39,452,000	37,800,100	853,600
2006	167,283,100	42,163,200	37,440,100	874,100
2007	170,868,800	48,023,000	38,711,000	887,900
2008	140,364,846	43,960,316	28,204,854	308,341

Notes:

- (1) Tax rates are per \$1,000 of assessed value.
- (2) Source: Assessor's equalization reports.

<u>Value</u>	
<u>Total</u>	<u>Total Direct Tax Rate</u>
\$ 141,784,200	12.574
158,553,900	12.3992
172,656,700	12.4003
186,896,400	12.8693
199,298,100	12.6181
218,936,148	11.6332
239,504,400	11.3536
247,760,500	11.3427
258,490,700	11.3176
212,838,357	11.3066

City of St. Johns

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(Per \$1,000 of Assessed Value)

1999-2008
(Unaudited)

Fiscal Year	City of St. Johns					
	General	Debt	Recreation	Garbage	Library	Total
1999	9.8040	1.7700	-	-	1.0000	12.5740
2000	9.7192	1.6800	-	-	1.0000	12.3992
2001	9.6618	1.7385	-	-	1.0000	12.4003
2002	9.6308	1.7385	-	0.5000	1.0000	12.8693
2003	9.6281	1.4900	-	0.5000	1.0000	12.6181
2004	9.5846	0.5486	-	0.5000	1.0000	11.6332
2005	9.5846	0.0000	0	0.5000	1.0000	11.3536
2006	9.5846	-	0.2581	0.5000	1.0000	11.3427
2007	9.5729	-	0.2459	0.5000	0.9988	11.3176
2008	9.5729	-	0.2349	0.5000	0.9988	11.3066

Notes:

(1) Table in mills

(2) Source: Tax Warrants issued by City Assessor

(3) St. Johns Public Schools' rate Indicates homestead millage. For non-homestead, add 18.0000 mills.

<u>St. Johns Public Schools</u>	<u>Clinton County</u>	<u>Clinton County Regional Educational Service Agency</u>	<u>Total</u>
7.0000	5.7675	2.7550	28.0965
7.0000	5.7555	2.7334	27.8881
7.0000	5.7048	2.7105	27.8156
7.0000	5.6585	2.6922	28.2200
7.0000	5.603	3.6668	28.8879
7.0000	5.6030	3.5989	27.8351
7.0000	5.8000	3.5813	27.7349
7.0000	5.7489	3.7877	27.8793
7.0000	5.7068	3.7603	27.7847
7.0000	5.7068	3.7603	27.7737

City of St. Johns

PRINCIPAL TAXPAYERS

June 30, 2008 and 1999
(Unaudited)

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>1999 Taxable Value</u>	<u>2008 Taxable Value</u>	<u>Percent of Total Assessed Valuation</u>
Sav-A-Lot	Warehouse	\$ -	\$ 8,155,200	3.83%
Federal Mogul	Industrial	8,212,800	1,100,100	0.52%
Dana Corporation	Industrial	3,669,500	4,390,300	2.06%
Clinton Commons	Multifamily Complex	-	2,528,600	1.19%
Barnard Manufacturing	Industrial	3,615,300	2,745,507	1.29%
Consumers Energy	Public Utility	2,305,300	2,018,532	0.95%
Allied Ring Co.	Industrial	1,632,900	3,937,900	1.85%
Harry's St. Johns LLC	Retail	2,163,759	2,801,283	1.32%
M&M	Warehouse	1,576,300	1,673,676	0.79%
CCS/Lansing Inc.	Psychiatric Hospital	200,000	1,365,315	0.64%
Total assessed value of ten largest taxpayers		23,375,859	30,716,413	14.44%
Total assessed value of other taxpayers		118,408,341	182,121,944	85.56%
Total assessed value of all taxpayers		\$ 141,784,200	\$ 212,838,357	100.00%

Note:

(1) Source: City Assessor

City of St. Johns

PROPERTY TAX LEVIES AND COLLECTIONS

1999-2008
(Unaudited)

Fiscal Year	General	Debt Service	Recreation	Library	Garbage	Total Tax Levy
1999	\$ 1,274,964	\$ 230,181	\$ -	\$ 130,047	\$ -	\$ 1,635,192
2000	1,313,370	227,021	-	135,133	-	1,675,524
2001	1,343,977	241,804	-	139,093	-	1,724,874
2002	1,428,680	257,871	-	148,336	74,162	1,909,049
2003	1,514,947	234,420	-	157,338	78,663	1,985,368
2004	1,618,462	92,607	-	168,851	84,419	1,964,339
2005	1,776,404	-	49,841	185,330	92,659	2,104,234
2006	1,852,840	-	49,879	193,305	96,646	2,192,670
2007	1,946,188	-	49,976	203,043	101,641	2,300,848
2008	2,035,547	-	49,932	212,366	106,309	2,404,154

Notes:

- (1) Clinton County pays the City of St. Johns the full amount of the delinquent real property taxes upon settlement in March of each year.
- (2) The table includes Ad Valorem taxes only. It excludes commercial and industrial facilities taxes as provided under Public Acts 198 and 255.
- (3) The portion of levy collected during the fiscal year and in subsequent years is not readily available for fiscal years 2004 and prior.
- (4) Source: City of St. Johns Basic Financial Statements.

Amount Collected in Fiscal Year of Levy		Amount Collected in Subsequent Years	Total Tax Collections	Percent Collected (1)
Amount	Percentage			
			\$ 1,632,705	99.85%
			1,670,022	99.67%
			1,722,823	99.88%
			1,906,574	99.87%
			1,978,611	99.66%
			1,960,651	99.81%
\$ 2,071,552	98.45%	\$ 28,405	2,099,957	99.80%
2,150,376	98.07%	38,418	2,188,794	99.82%
2,296,850	99.83%	-	2,296,850	99.83%
2,385,061	99.21%	-	2,385,061	99.21%

City of St. Johns

RATIOS OF OUTSTANDING DEBT BY TYPE

1999-2008
(Unaudited)

Fiscal Year	Population	Assessed Value of Property ⁽⁴⁾	Governmental Activities		
			General Obligation Bonds	Special Assessment Bonds	Notes and Loans
1999	7,392 ⁽²⁾	\$ 141,784,200	\$ 3,635,000	\$ -	\$ 777,268
2000	7,392 ⁽²⁾	158,553,900	3,335,000	-	1,028,325
2001	7,485 ⁽³⁾	172,658,700	3,020,000	-	905,754
2002	7,485 ⁽³⁾	186,896,400	2,930,000	155,000	628,075
2003	7,485 ⁽³⁾	199,298,100	2,580,000	140,000	1,237,759
2004	7,485 ⁽³⁾	218,936,148	2,715,000	120,000	1,291,029
2005	7,485 ⁽³⁾	239,504,400	3,295,000	105,000	1,177,772
2006	7,485 ⁽³⁾	247,760,500	3,095,000	85,000	1,134,549
2007	7,485 ⁽³⁾	258,490,700	4,720,000	70,000	969,970
2008	7,485 ⁽³⁾	212,838,357	4,415,000	50,000	946,052

Note:

(1) Source: City of St. Johns Basic Financial Statements.

(2) Source: 1990 Census Report

(3) Source: 2000 Census Report

(4) Source: Assessor's equalization reports

<u>Business-type Activities</u>		<u>Total Primary Government</u>	<u>Net Debt to Assessed Value</u>	<u>Net Debt Per Capita</u>
<u>Revenue Bonds</u>	<u>Notes and Loans</u>			
\$ 7,055,000	\$ -	\$ 11,467,268	7.23%	\$ 1,551.31
6,830,000	119,985	11,313,310	6.55%	1,530.48
6,595,000	-	10,520,754	5.63%	1,405.58
6,345,000	-	10,058,075	5.38%	1,343.76
6,085,000	152,705	10,195,464	5.12%	1,362.12
8,670,000	152,705	12,948,734	5.91%	1,729.96
8,535,000	152,705	13,265,477	5.54%	1,772.27
8,210,000	137,807	12,662,356	5.11%	1,691.70
7,850,000	122,909	13,732,879	5.31%	1,834.72
13,765,000	108,011	19,284,063	9.06%	2,576.36

City of St. Johns

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

1999-2008
(Unaudited)

Fiscal Year	Population	Assessed Value of Property ⁽⁶⁾	General Obligation Bonds ⁽²⁾	Bonded Debt Service Funds Available ⁽³⁾	Net General Bonded Debt
1999	7,392 ⁽⁴⁾	\$ 158,553,900	\$ 3,635,000	\$ 84,003	\$ 3,550,997
2000	7,392 ⁽⁴⁾	172,656,700	3,335,000	91,544	3,243,456
2001	7,485 ⁽⁵⁾	186,896,400	3,020,000	144,101	2,875,899
2002	7,485 ⁽⁵⁾	186,896,400	2,930,000	189,451	2,740,549
2003	7,485 ⁽⁵⁾	199,298,100	2,580,000	260,279	2,319,721
2004	7,485 ⁽⁵⁾	218,936,148	2,715,000	126,285	2,588,715
2005	7,485 ⁽⁵⁾	239,504,400	3,295,000	202,168	3,092,832
2006	7,485 ⁽⁵⁾	247,760,500	3,095,000	175,322	2,919,678
2007	7,485 ⁽⁵⁾	258,490,700	4,720,000	148,967	4,571,033
2008	7,485 ⁽⁵⁾	212,838,357	4,415,000	131,113	4,283,887

Note:

(1) Source: City of St. Johns Basic Financial Statements.

(2) Amount does not include special assessment debt.

(3) Amount does not include funds available for retirement of special assessment debt.

(4) Source: 1990 Census report

(5) Source: 2000 Census report

(6) Source: Assessor's equalization reports

<u>Net Debt to Assessed Value</u>	<u>Net Debt Per Capita</u>
2.24%	\$ 480.38
1.88%	438.78
1.54%	384.22
1.47%	366.14
1.16%	309.92
1.18%	345.85
1.29%	413.20
1.18%	390.07
1.77%	610.69
2.01%	572.33

City of St. Johns

COMPUTATION OF DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

June 30, 2008
(Unaudited)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Estimated Percent Applicable</u>	<u>Direct and Estimated Overlapping Debt</u>
St. Johns Public Schools	\$ 32,254,416	36.38%	\$ 14,014,061
Clinton County	<u>12,480,000</u>	9.68%	<u>1,208,064</u>
Total overlapping debt	44,734,416		15,222,125
City of St. Johns	<u>5,411,052</u>	100.00%	<u>5,411,052</u>
Total direct and overlapping debt	<u><u>\$ 50,145,468</u></u>		<u><u>\$ 20,633,177</u></u>

City of St. Johns

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2008
(Unaudited)

State Taxable Assessed Value		
Real property		\$ 188,966,057
Personal property		23,872,300
Industrial facilities (1)		<u>5,504,600</u>
Total taxable assessed value		<u>\$ 218,342,957</u>
Debt Limit		
10% of State equalized assessed value		\$ 21,834,296
Amount of Debt Applicable to Debt Limit		
Total bonded debt	\$ 18,230,000	
Less:		
Amount available in debt service funds	131,113	
Revenue bonds	13,765,000	
Special assessment bonds	<u>50,000</u>	
Total amount of debt applicable to debt limit		<u>4,283,887</u>
Legal debt margin		<u>\$ 17,550,409</u>

Note:

(1) Adjusted to State Equalized Equivalent

City of St. Johns

LEGAL DEBT MARGIN

1999-2008
(Unaudited)

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Net Applicable Debt</u>	<u>Legal Debt Margin</u>	<u>Ratio</u>
1999	\$ 14,474,490	\$ 3,550,997	\$ 10,923,493	24.53%
2000	16,249,780	3,243,456	13,006,324	19.96%
2001	17,713,680	2,875,899	14,837,781	16.24%
2002	19,042,030	3,071,614	15,970,416	16.13%
2003	20,235,910	2,855,626	17,380,284	14.11%
2004	22,096,179	2,588,715	19,507,464	11.72%
2005	24,316,350	3,092,832	21,223,518	12.72%
2006	25,141,960	2,919,678	22,222,282	11.61%
2007	26,265,470	4,571,033	21,694,437	17.40%
2008	21,834,296	4,283,887	17,550,409	19.62%

City of St. Johns

DEMOGRAPHIC STATISTICS

1999-2008
(Unaudited)

Fiscal Year	Population	Personal Income	Personal Income Per Capital ⁽³⁾⁽⁶⁾	Unemployment Rate ⁽⁵⁾
1999	7,392 ⁽¹⁾	\$ 190,580,544	\$ 25,782	2.6%
2000	7,392 ⁽¹⁾	198,933,504	26,912	3.2%
2001	7,485 ⁽²⁾	206,608,455	27,603	4.0%
2002	7,485 ⁽²⁾	209,527,605	27,993	5.1%
2003	7,485 ⁽²⁾	216,181,770	28,882	6.1%
2004	7,485 ⁽²⁾	219,190,740	29,284	6.2%
2005	7,485 ⁽²⁾	227,020,050	30,330	6.4%
2006	7,485 ⁽²⁾	238,382,280	31,848	5.7%
2007	7,485 ⁽²⁾	-	- ⁽⁴⁾	6.2%
2008	7,485 ⁽²⁾	-	- ⁽⁴⁾	7.2%

Notes:

(1) Source: 1990 Census Report.

(2) Source: 2000 Census Report

(3) Source: Bureau of Economic Analysis: Regional Economic Accounts

(4) Data for 2007 and 2008 is not readily available.

(5) Source: Bureau of Labor Statistics

(6) Personal income per capita and unemployment rates are presented for the Lansing-East Lansing metropolitan area which includes the counties of Ingham, Eaton, and Clinton.

City of St. Johns

CONCENTRATION OF WORKFORCE

June 30, 2008 and 1999
(Unaudited)

Industry	2008		1999	
	Number of Jobs ⁽¹⁾⁽²⁾	Percentage of Workforce	Number of Jobs ⁽¹⁾⁽²⁾	Percentage of Workforce
Construction and Mining	7,700	3.36%	9,700	4.14%
Manufacturing	20,700	9.04%	29,500	12.59%
Trade, Transportation, and Utilities	35,300	15.42%	37,200	15.87%
Information	2,800	1.22%	3,600	1.54%
Financial Activities	15,400	6.73%	12,400	5.29%
Professional and Business Services	20,300	8.87%	24,700	10.54%
Educational and Health Services	28,600	12.49%	23,000	9.81%
Leisure and Hospitality	19,300	8.43%	18,400	7.85%
Other Services	11,900	5.20%	10,200	4.35%
Government	58,300	25.47%	60,900	25.98%
Farming	8,600	3.76%	4,800	2.05%
Total	228,900	100.00%	234,400	100.00%

Notes:

(1) Source: Bureau of Labor Statistics

(2) Number of jobs is presented for the Lansing-East Lansing metropolitan area which includes the counties of Ingham, Eaton, and Clinton.

City of St. Johns

FULL TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION

1999-2008
(Unaudited)

Function	Full time Equivalent Employees			
	1999	2000	2001	2002
General government	10	10	10	9
Public safety	13	13	13	13
Public works	24	24	23	22
Community and economic development	-	-	-	-
Recreation and cultural	4	5	5	5
Total	51	52	51	49

as of June 30					
2003	2004	2005	2006	2007	2008
9	9	9	9	9	9
13	13	13	13	13	13
22	22	22	22	22	22
-	1	1	1	1	1
5	5	5	5	5	5
49	50	50	50	50	50

City of St. Johns

OPERATING INDICATORS BY FUNCTION

1999-2008
(Unaudited)

Function	1999	2000	2001	2002
Public safety				
Physical arrests	435	344	261	453
Parking violations	1,190	1,356	1,531	1,302
Traffic violations	1,110	1,045	1,163	1,312
Emergency fire responses	133	123	60	73
Public works				
Street resurfacing (miles)	0.01	1.13	0.89	0.36
Number of water meters	2,843	2,830	2,860	2,904
Average daily water consumption (gallons)	983,540	963,000	878,000	976,000
Peak daily water consumption	1,785,000	1,978,000	1,793,000	2,114,000
Average daily sewage treatment	1,356,638	1,401,473	1,592,041	1,374,512
Recreation and cultural				
Volumes in library collection	82,998	86,829	84,084	83,772
Volumes borrowed from library	97,156	98,441	102,581	102,582

Notes:

- (1) Water, sewage, and public safety data are reported on a calendar year basis. Data for the 2008 fiscal year is not yet available.
- (2) Library data is not readily available for the years omitted.

2003	2004	2005	2006	2007	2008
499	368	445	433	434	
1,287	1,247	1,311	943	1,092	
1,483	1,298	1,408	1,170	1,126	
94	46	50	47	34	
-	-	-	2.52	-	0.22
2,955	2,955	3,031	3,139	3,163	
905,463	883,000	767,592	803,000	764,000	
1,558,000	1,573,000	1,795,000	1,450,000	1,414,000	
1,246,101	1,409,498	1,374,293	1,420,000	1,324,562	
83,996	42,239	41,902	41,977	40,423	
105,701	111,862	117,396	123,026	125,271	

City of St. Johns

CAPITAL ASSET STATISTICS BY FUNCTION

1999-2008
(Unaudited)

Function	1999	2000	2001	2002
Public safety				
Police protection				
Number of stations	1	1	1	1
Fire protection				
Number of stations	1	1	1	1
Public works				
Refuse collection				
Number of trucks				
Streets				
Streets (miles)	36	72	72	82
Traffic signals	6	6	6	6
Water				
Mains (miles)	38	38	38	48
Fire hydrants	257	257	275	275
Storage capacity (gallons)	900,000	900,000	900,000	900,000
Waste water				
Sanitary sewers (miles)	39	41	41	43
Storm sewers (miles)	32	32	32	32
Treatment capacity (gallons)	2.5	2.5	2.5	2.5
Recreation and cultural				
Parks (acres)	142	142	142	142
Playgrounds	6	6	6	6
Municipal swimming pools	1	1	1	1
Tennis courts	11	11	11	11
Softball diamonds	3	3	3	3

2003	2004	2005	2006	2007	2008
1	1	1	1	1	1
1	1	1	1	1	1
80	80	80	80	80	80
4	4	4	4	4	4
48	48	48	50	50	50
307	307	307	307	437	437
900,000	900,000	900,000	900,000	900,000	900,000
43	43	43	43	43	43
32	32	32	32	32	32
2.5	2.5	2.5	2.5	2.5	2.5
142	142	142	116	116	116
6	6	6	6	6	6
1	1	1	1	1	1
11	11	11	11	11	11
3	3	3	3	3	3

Principals

Dale J. Abraham, CPA
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Steven R. Kirinovic, CPA
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF THE FINANCIAL STATEMENTS**

To the Honorable Mayor and
Members of the City Commission
City of St. Johns, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Johns as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting:

PREPARATION OF FINANCIAL STATEMENTS

Statement on Auditing Standards No. 112 titled *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate when a client requires assistance in the preparation of financial statements and the related footnotes that are required in accordance with accounting principles generally accepted in the United States of America. The annual financial statements for the year ended June 30, 2008 for the City of St. Johns required relatively few adjustments. The staff at the City of St. Johns does understand all of the information included in the financial statements, and as such are able to take responsibility for the content. This issue was noted and reported in our comments last year. We are communicating these circumstances as required by professional standards, and do not see a need for any change in the situation at this time.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the following significant deficiency to be a material weakness, as defined above.

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries for the proper recognition of accrual accounting were proposed by the auditors. These misstatements were not detected by the City's internal control over financial reporting. These entries were for the proper recognition of debt service and capital asset activity in the proprietary funds. A similar issue was noted and reported in our comments last year.

Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

We recommend that the City take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter, which is described below.

BUDGETS

As noted in the financial statements, some of the activities and funds of the City exceeded the amounts appropriated. The variances noted were in the General Fund. Michigan Public Act 621 of 1978, as amended, provides that the City adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We recommend the City monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

This report is intended solely for the information and use of management, the members of the City Commission, and others within the City of St. Johns and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 30, 2008